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COARSE PAPERS

8

Investigation into an Alleged Combine in the Supply,
Distribution and Sale of Coarse Papers
in British Columbia

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REPORT OF COMMISSIONER, COMBINES INVESTIGATION ACT
DEPARTMENT OF JUSTICE
OTTAWA

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COMBINES INVESTIGATION COMMISSION

DEPARTMENT OF JUSTICE

OTTAWA

January 22, 1953

Honourable Stuart S. Garson, Q.C.,
Minister of Justice,
O t t a w a

Sir:

I have the honour to submit to you the following report of an investigation, under the Combines Investigation Act, into an alleged combine in the supply, distribution and sale of coarse papers and related products in British Columbia. Coarse papers include chiefly bags, napkins, towels, tissues, waxed papers and wrapping papers.

The investigation has been directed primarily to the activities in respect of the British Columbia market of three manufacturers and some nine distributors and a distributors trade association.

Early in the inquiry, in 1949, several thousand documents relating to the matters under investigation were obtained from parties concerned. Further documentary evidence was obtained from some of these parties in 1950 and in 1951.

In November and December 1950, after my appointment as Commissioner of the Combines Investigation Act, private hearings relating to the matters under investigation were held during nine days in Vancouver, British Columbia, before myself or Mr. A. S. Whiteley, then the Deputy Commissioner of the Combines Investigation Act. Evidence was taken at this time from nineteen witnesses, all of whom were represented by counsel who, at the same time, represented the companies or trade association by whom the witnesses were employed.

Mr. John M. Godfrey, Barrister, of Toronto was appointed by you, under Section 26 of the Act, as it then was, to assist in the investigation and he attended throughout the hearings and examined the witnesses.

In the early summer of 1951, Mr. Godfrey prepared, at my request, a statement summarizing the effect of the evidence as it then appeared to him. This "Statement of Commission Counsel" was

(ii)

sent by me to the parties concerned on July 9, 1951 as notice of the charges alleged, in order that the parties might have full opportunity to be heard, as provided in the Inquiries Act, before conclusions were reached or a report made.

All of the parties against whom allegations of misconduct were made in the "Statement of Commission Counsel" appeared before me in Vancouver in October 1951 in person or by counsel. During this four day period, at the instance of the parties, further oral evidence was taken from three witnesses who had previously appeared, and from two others who had not. At the same time certain documentary evidence was submitted. In addition, substantial representations relating to the matters set out in the "Statement of Commission Counsel" and the coarse paper industry and trade in British Columbia generally were made by counsel representing the parties and by a director of one of the companies who appeared, without counsel, on its behalf.

By the amendments to the Combines Investigation Act which were enacted last July and came into force on November 1st, a new body - the Restrictive Trade Practices Commission - was established, by whom future reports are to be made. The amendments provided however that cases that were pending upon the effective date of the amendments and in which I had before then exercised certain powers might be completed by me as if the amendments had not been passed. Having regard to the stage to which this inquiry had progressed, I am of the opinion it should be so completed.

I should like to refer to the excellent services rendered by Mr. Godfrey and to the competent and prominent parts taken in the inquiry by Mr. A. S. Whiteley and by Mr. A. G. Powell and Mr. R. I. Milner of the staff of the Commission.


Yours faithfully,

T. D. MacDonald

Commissioner
Combines Investigation Act

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I. The Supply and Distribution of Coarse Papers in British Columbia

1. Introduction

This is the report of an inquiry under the Combines Investigation Act into the supply, distribution and sale of coarse papers and related products in British Columbia. The inquiry began in 1949, and the period covered is, in the main, from 1935 to 1950, inclusive, although some of the evidence touches upon happenings prior to 1935.

Until about 1920 all the coarse papers consumed in British Columbia were brought into that province from other parts of Canada or from foreign countries. By the end of 1930 three companies, with manufacturing facilities in British Columbia, were in a position to supply part of the British Columbia market and also to ship into other areas. These companies were Pacific Mills, Limited (sometimes referred to in this report as "Pacific Mills"), Westminster Paper Company Limited (sometimes referred to as "Westminster") and Bartram Paper Products Company Limited (sometimes referred to as "Bartram"). By the start of 1935 these three were firmly established as suppliers to the British Columbia market and in the subsequent years each has become the principal source of one or more coarse paper products for that market.

The expression "coarse papers" as used in this report covers a large number of products, the more important of which come within the following classifications:

- Paper bags
- Paper napkins
- Paper towels
- Toilet tissues
- Waxed papers
- Wrapping papers

Each of these coarse paper items is available to the purchaser in a variety of forms or sizes or finishes and may be made from papers of widely varying characteristics. The most important paper bag is the S.O.S. (self-opening square) grocery bag, which is made in capacity sizes from $\frac{1}{4}$ lb. to 35 lbs. and which may be made in light, medium or heavy kraft paper. Paper napkins, paper towels and toilet tissues are sometimes described as "T.N.T." lines. Some of these products are prepared for home use and others for industrial or commercial use. In each of the T.N.T. lines there are variations in quality, in the type of package and in the number of items per package, as well as in the pulp content of the papers from which they are made. Waxed papers as a class include such items as household rolls, waxed bread wrapper and waxed papers for use in butcher shops. Waxed papers may have a kraft, a manilla or a sulphite paper as their base. The most important wrapping papers are made from sulphate pulp and are generally known as kraft papers. These papers are made and sold in different weights and finishes and in sheets or rolls of different sizes.

In addition to the products already mentioned, certain other items are considered in the trade as coarse papers and were within the scope of this inquiry. These include such items as cardboard shirt fronts for use in laundries and paper pie plates.

Some other coarse paper products such as heavy building papers do not ordinarily go to the consumer through the same trade channels as do the coarse papers above referred to and with such other products the inquiry was not concerned.

Pacific Mills, Westminster and Bartram supplied through distributors the great bulk of the more important coarse paper products used in British Columbia in the period 1935 to 1949.

2. Coarse Paper Suppliers to the British Columbia Market

As already mentioned, it was not until about 1920 that any part of British Columbia's consumption of coarse papers was supplied by a manufacturer located in the province. By the end of 1926 three such manufacturers were established and they will sometimes be referred to in this report as the "B.C. manufacturers".

The first to become established was Pacific Mills. It was incorporated in 1914 and throughout its life has been controlled by Crown Zellerbach Corporation of San Francisco, California, or by that company's predecessor, Crown Willamette Paper Company. In 1915 Pacific Mills took over the assets of the Ocean Falls Company Limited, which was then in receivership. By 1920 the company had installed four paper machines in its mill at Ocean Falls, British Columbia, and in 1926 it installed another. In 1930 Pacific Mills opened a converting plant in Vancouver. In this plant it has processed various of its papers into the finished product which is offered for sale. Such operations as, for example, the making of paper bags or the waxing of papers are known as converting operations. It was not until 1947 that Pacific Mills undertook to make paper bags and when it did so, they were made at the Vancouver plant. Pacific Mills is a large company and has a wide range of products, such as groundwood, sulphate and sulphite pulps, newsprint, kraft papers, fruit wrapper, waxed bread wrapper, other waxed papers, solid fibre board and the T.N.T. lines. Pacific Mills' total output of all products is reported to have been 162,922 tons for the year ended April 30, 1951.

Westminster has its pulp and paper making and converting facilities in New Westminster, British Columbia. In 1926 it succeeded Westminster Paper Mills Limited, which had been founded in 1923. Westminster has grown since 1923 to be one of the most important manufacturers of toilet tissues in Canada. Its products now include a number of paper napkin and towel lines, as well as a household roll of waxed paper and fruit wrapper. During its life, Westminster has made a larger number of products, including kraft papers and waxed bread wrapper than it presently does, but as some of its products met with increasing public acceptance, its manufacturing facilities and sales efforts were concentrated on them and the less attractive lines dropped. Westminster appears to have had a productive capacity of about 2,500 tons per year when it got into production in 1923. This was increased to about 5,000 tons a year when, after a fire in 1929, the plant was rebuilt and was increased again to about 10,000 tons per year when in 1939 the company's paper machine was

rebuilt. The addition of another paper machine in 1947 raised the company's capacity to about 20,000 tons and plans for a further increase through addition of a third machine have been reported in the press. Westminster buys its chemical pulp but in 1948 brought into production a groundwood pulp mill which has sufficient capacity to meet its own needs and to allow a surplus for sale.

Whereas Pacific Mills and Westminster combine the functions of paper manufacturer and converter, Bartram is a converter only. It makes paper bags and its principal supplier of paper is Pacific Mills which since 1947 has also made paper bags. Bartram commenced business in Vancouver in 1925.

It is estimated from information obtained from manufacturers and distributors that in 1948 and 1949 each of the three B.C. manufacturers supplied more than 75 per cent of one of the principal coarse paper lines used in British Columbia: Pacific Mills in respect of kraft wrapping papers; Westminster in respect of toilet tissues; and Bartram in respect of bags. In addition, Pacific Mills and Westminster between them supplied more than 75 per cent of the wax papers and approximately 70 per cent of the paper towels and paper napkins which were sold for consumption in British Columbia in those years.

In 1948 and 1949 the most important Eastern suppliers to the British Columbia market of the principal coarse paper lines were The E. B. Eddy Company of Hull, P.Q. (Eddy), which shipped its T.N.T. lines into British Columbia; Appleford Paper Products Limited of Hamilton, Ontario (Appleford), a waxed paper converter; and Interlake Tissue Mills Company Limited, which has a paper mill at Merritton, Ontario and has since some time prior to 1935 sold T.N.T. lines and a small amount of its other products through a branch it has maintained in Vancouver. Other Eastern or Prairie suppliers of principal coarse paper lines to the British Columbia market in 1948 and 1949 included principally Garden City Paper Mills Co. Ltd., Bradshaw's Limited, Canadian Nashua Paper Co. Ltd., Perkins Tissue Mills Limited, G. S. & A. Robinson (Canada) Limited, Continental Paper Products Limited, Dryden Paper Co. Ltd. and Woods Dryden Paper Bags Limited. Except for certain types of coarse papers which were not made in British Columbia, none of the suppliers last mentioned held a very important position in the British Columbia market in these years.

3. General Comment on the Coarse Paper Industry, 1935-50

It may be well to draw attention to the fact that conditions in the Canadian coarse paper industry varied in certain respects over the period 1935 to 1950 which was covered by the inquiry. The various producers in 1935 had capacity for manufacturing more products than they could easily sell at prevailing prices. This condition changed sometime during the period when the industry was subject to wartime controls over prices, production and distribution. During the latter part of the control period and for a time after price controls were finally removed in 1947, various coarse paper lines continued in short supply and no

manufacturer had any difficulty in keeping his facilities fully and profitably employed.

Several forces were working in the period 1935 to 1949 to improve the lot of the Canadian coarse paper manufacturers. One of these was an ever widening use of paper goods as new products were developed or as old products were applied to new or wider use. Other forces that operated to the benefit of the manufacturer in this period were the steady increase in population and the increased per capita use of paper products which accompanied the general improvement in business conditions.

Attention might also be drawn to the fact that paper machines of the types used in the manufacture of coarse papers are adaptable to the manufacture of a number of kinds of paper. In periods in which demand is slack, the individual manufacturer will be inclined to accept orders from remote customers at prices that afford a none too attractive net return, if in so doing any loss accepted is less than the loss which would follow from a machine lying idle. In addition, he will look for orders for items which he is able to make, but in better times would refuse in favour of other items for which he is more suited. When increased business permits the refusal of the less attractive jobs, he is also in a position to reduce his unit costs by longer machine runs and like considerations in respect of the orders he prefers to accept. One result of any very considerable and prolonged improvement in business conditions, therefore, would be a tendency towards specialization. This specialization would result in advantage being taken of what is known in the paper industry as "hidden capacity" which would tend to result in comparatively low costs and comparatively good profits for the individual manufacturer.

It was apparently as a result of such trends that, from 1939 on, the Eastern suppliers became relatively less important in the British Columbia market and Westminister and Pacific Mills each restricted their lines to the point that in early 1949 they were not seriously competitive with each other in certain lines in which each particularly specialized.

4. Imports of Coarse Papers

Published trade figures indicate that the Canadian coarse paper industry is primarily engaged in the supply of the domestic market and that it supplies most of that market.

The evidence indicates that coarse papers were sometimes imported into British Columbia from the United States and other countries. It appears that these importations were never made on a regular basis in sufficient volume to affect seriously, or for any length of time, the market conditions prevailing in the territory and this has been particularly true in the post-war period.

The manufacture in Canada of many of the principal coarse paper lines has enjoyed substantial tariff protection. The extent of that protection from the beginning of 1935 to the time of writing this report is indicated in the following table:

Table I

Rates of Customs Tariff on Various Coarse Paper Items

1935-1952

Tariff Item	Product	British Preferential Tariff		Most-Favoured Nation Tariff		General Tariff	Special Rates Under Trade Agreements With Certain Countries		Effective Date from
		British	Tariff	Nation	Tariff		British	Foreign	
193	Paper Bags	20 p.c.	20 p.c.	30 p.c.	35 p.c.	35 p.c.			Prior to Feb. 26, 1937
		15 p.c.	15 p.c.	30 p.c.	35 p.c.	35 p.c.			Feb. 26, 1937
		15 p.c.	15 p.c.	22½ p.c.	35 p.c.	35 p.c.			Jan. 1, 1948
197	Paper Napkins) Paper Towels) Toilet Papers)	15 p.c.	15 p.c.	22½ p.c.	25 p.c.	25 p.c.			From Jan. 1, 1935
							U.S. 22½ p.c.	Jan. 1, 1936	
197b	Kraft Wrapping Paper	20 p.c.	20 p.c.	30 p.c.	35 p.c.	35 p.c.			Prior to Feb. 26, 1937
		17½ p.c.	17½ p.c.	30 p.c.	35 p.c.	35 p.c.			Feb. 26, 1937
		17½ p.c.	17½ p.c.	30 p.c.	35 p.c.	35 p.c.	U.S. 25 p.c.	Jan. 1, 1939	
		17½ p.c.	17½ p.c.	22½ p.c.	35 p.c.	35 p.c.			Jan. 1, 1948
198	Waxed papers plain or printed	22½ p.c.	22½ p.c.	32½ p.c.	35 p.c.	35 p.c.			Prior to Feb. 26, 1937
		20 p.c.	20 p.c.	32½ p.c.	35 p.c.	35 p.c.			Feb. 26, 1937
		20 p.c.	20 p.c.	32½ p.c.	35 p.c.	35 p.c.	U.S. 27½ p.c.	Jan. 1, 1939	
		17½ p.c.	17½ p.c.	25 p.c.	35 p.c.	35 p.c.			Jan. 1, 1948
199*	Paper Napkins	22½ p.c.	22½ p.c.	32½ p.c.	35 p.c.	35 p.c.			Jan. 1, 1936
		20 p.c.	20 p.c.	32½ p.c.	35 p.c.	35 p.c.	U.S. 30 p.c.	Prior to Feb. 26, 1937	
		20 p.c.	20 p.c.	32½ p.c.	35 p.c.	35 p.c.			Feb. 26, 1937
		17½ p.c.	17½ p.c.	25 p.c.	35 p.c.	35 p.c.	U.S. 27½ p.c.	Jan. 1, 1939	
									Jan. 1, 1948

Note: These paper products when entitled to the benefits of the British Preferential Tariff are subject to a discount of 10 per cent in the amount of duty computed under such tariff when conveyed without transshipment from a port of a country enjoying the British Preferential Tariff into a sea, lake or river port of Canada in those cases where the rate of ad valorem duty exceeds 15 per cent.

*Applies to printed paper napkins or to paper napkins with scalloped edges, to paper napkins in shapes other than rectangular or in rectangular shapes and embossed with distinctive designs or borders.

5. Distribution of Coarse Papers in British Columbia

Coarse papers embrace items which are consumed in the home, and in hotels, stores, schools, hospitals, factories, restaurants and many other establishments. As already mentioned, the great bulk of the coarse paper items that are consumed in British Columbia is made in that province. Of the coarse papers made in British Columbia and consumed there, almost all of them are first sold by the supplier to one or another of a limited group of recognized distributors. There are certain exceptions to this rule in the case of Pacific Mills which sells some of its products to large industrial users and a small part of them to accounts which do not resell them as such, but use them in their businesses. There have been other exceptions in the cases of Bartram and Pacific Mills, each of which has had an arrangement with an outside manufacturer that certain of the outside manufacturer's requirements for bags and wrapping papers, respectively, to be distributed in British Columbia would be met by direct sale to it. Again, both Pacific Mills and Westminster make fruit wrap and the greater part of this item is sold direct without participation by any distributor or wholesaler. It is nevertheless true that almost all the ordinary coarse paper production in British Columbia that is consumed there reaches the user after passing through the hands of a coarse paper distributor or wholesale grocer.

At the beginning of 1935 there were virtually only five companies doing business in British Columbia which were able to buy direct from the B.C. manufacturers for the purpose of resale at wholesale. These companies were:

Columbia Paper Company Limited (Columbia)
Norfolk Paper Company, Limited (Norfolk)
Smith, Davidson & Wright, Limited (Smith, Davidson & Wright)
Vancouver Pacific Paper Company Limited (Vancouver Pacific)
J. C. Wilson Limited (J. C. Wilson)

The first four had their principal offices and warehouses in Vancouver. Columbia Paper, which was incorporated in 1910, and Smith, Davidson & Wright, which was incorporated in 1907, were fine paper distributors and manufactured certain stationery lines, in addition to being coarse paper distributors. Both companies have had branches in Victoria, B.C. Norfolk was incorporated in 1921 and throughout its life has been controlled by the main shareholders in Smith, Davidson & Wright. It has confined its activities to those of a coarse paper distributor. Vancouver Pacific was organized as "Pacific Paper Company Limited" in 1928 and its present name was adopted in 1929. During the period April 1934 to June 1938, Pacific Mills owned 81 out of the 162 issued shares of its common stock and 51 out of the 100 issued preference shares. On June 2, 1938 Pacific Mills sold 10 ordinary and 5 preferred shares to W. D. D. Agnew, one of the company's founders and then its president. Pacific Mills sold its last shareholdings in this company in 1947. The most important part of Vancouver Pacific's business has been in the coarse paper trade.

J. C. Wilson is a Montreal company which has paper mills at Lachute, P.Q. and St. Jerome, P.Q. Among its products are kraft wrapping

papers, paper bags, toilet papers, folding boxes, shipping tags, envelopes, oyster pails and ice cream pails. This company has had a branch in Vancouver since 1905. At the time the inquiry started, J. C. Wilson was not bringing its own products into British Columbia from the East if similar products were available to it from the B.C. manufacturers.

These five companies were the only recognized distributors of the B.C. manufacturers in 1935 who did business in and around Vancouver and Victoria and as such were the only important wholesalers of the products of the B.C. manufacturers. With the exception of a small amount of coarse papers handled by some Prairie wholesalers who sold in southeastern British Columbia and a wholesale grocer in Prince Rupert who at some stage became a direct buyer of bags from Bartram and, with other unimportant exceptions, any other wholesaler and any retailer who got the coarse paper products of the B.C. manufacturers for use or resale, got them after they had passed through the hands of one or another of these five distributors.

The first change in this situation apparently took place in 1939. The evidence is not clear as to whether, at Bartram's insistence, the distributors were required to give very preferred prices to three wholesale grocers on their bag purchases, or whether, in fact, it was at this time Bartram recognized these three wholesale grocers, with warehouses in Vancouver and branches at other points in British Columbia, as direct buyers. At any rate, if these wholesale grocers were not, at the start of 1939, recognized as direct buyers, they were at that time qualified to buy Bartram's bags at prices almost as good as those available to the paper distributors and recognition as direct buyers followed shortly afterwards. In June 1940 Westminster recognized these three wholesalers and one other as direct buyers and shortly afterwards it was followed in this action by Pacific Mills. With the exception of the addition of one small Victoria coarse paper distributor to their direct lists by Westminster and Pacific Mills in 1947, there were no other such additions before this inquiry started in 1949.

The recognition of the wholesale grocers as direct distributors will be described more fully in Chapter III.

None of the firms mentioned in this section restricted its trade in coarse papers entirely to the products of the B.C. manufacturers. The wholesale grocers handled considerable quantities of coarse papers manufactured outside British Columbia. The coarse paper distributors themselves tended, particularly in the earlier part of the period, to restrict their trade in outside products to those not manufactured in British Columbia.

II. The Paper Distributors Council of B.C.

1. Organization

Around the end of 1934 meetings were held in Vancouver attended by representatives of the five coarse paper distributors named in the preceding chapter and by representatives of two fine paper distributors who did not handle coarse papers. The minutes which were kept indicate that the intention was that a "Council" should be formed for the purpose of determining and controlling resale prices.

What was to be considered as the organization meeting of the Paper Distributors Council of B.C. (P.D.C.) was held on January 7, 1935. It was attended by representatives of all the coarse paper distributors for the British Columbia manufacturers except J. C. Wilson. Officers were elected and, it having been decided that the organization should have a Fine Paper Division and a Coarse Paper Division (C.P.D.), officers were elected for each of these groups. "Rules and Regulations" which were often in later years referred to as the "By-Laws" were adopted "as those governing the activities of the Council", and it was decided that application for membership should be made in writing in an approved form (Exhibit 72).

Columbia, Norfolk, Smith, Davidson & Wright and Vancouver Pacific submitted written applications for membership in this approved form which was as follows:

"We (I) hereby make application for membership in the Paper Distributors Council of B.C. and agree to abide by the Rules and Regulations governing same and as approved by the Council."

(Exhibits 57, 58, 59 and 160)

Until July 1940, when J. C. Wilson joined the P.D.C., these four companies constituted the Coarse Paper Division.

2. Rules and Regulations

The "Rules and Regulations" which were approved on January 7, 1935 were given further consideration at the P.D.C.'s meeting on February 5, 1935 and some amendments were made. The "Rules and Regulations" as amended at this time read as follows:

"ORGANIZATION.

That, for their mutual benefit and the general good of the industry, Paper distributors and Envelope manufacturers located in the Province of British Columbia form and become members of an organization to be known as 'PAPER DISTRIBUTORS COUNCIL OF B.C.'

PERIOD OF ARRANGEMENT.

That an arrangement be entered into for a period of one year from January 1st, 1935.

EXECUTIVE
SECRETARY.

That an Executive Secretary be appointed, whose duties will be under direction of an Advisory Committee, composed of the Chairman and the Vice-Chairman, to manage the Council and generally carry out instructions as hereinafter set forth.

DUTIES OF
EXECUTIVE
SECRETARY.

To take charge of all Council meetings and arrange for minutes of same to be kept. On instructions, to issue all price lists and terms of sale. All irregularities coming to notice of members will be reported to the Secretary who will investigate same and, if necessary, conduct a systematic audit of the sales records of the member complained of. He shall have authority to interview any member at any time respecting irregular practices in which such member may be said to be involved, as provided for in 'Adherence to Regulations'.

AUDIT.

The Secretary shall be empowered to make a systematic examination of the sales records of each member in the lines covered by the arrangement, for which purpose he shall be granted access to sales invoices, orders (house record and customer's), and delivery slips. In addition, upon submitting the names of accounts to be examined to a responsible representative of the member-firm for consent, he shall be granted access to whatever other books of record and documentary evidence he may consider necessary to a proper investigation. He shall be authorized to make enquiry with respect to apparent errors or irregularities in completing an investigation.

CONSENT OF
MEMBERS.

That each member agrees he will not unduly withhold consent to requests made by the Secretary to proceed with examination of accounts. To facilitate the audit each member shall advise the Secretary, in writing, the names of two representatives of his firm who are empowered to give such consent.

INFORMATION
TREATED CON-
FIDENTIALLY

That, in conducting the audit, the Secretary shall respect the confidence of the members, and that no information which may come to his notice with respect to the business carried on by any of the members will be divulged to any other person whatsoever, except as hereinbefore mentioned. The Secretary shall not divulge the name of the complainant.

RESPONSI-
BILITY

That members will give to the Secretary in writing, names of their Executive or staff empowered to attend meetings, vote, and in general act for the

member firm. That, in respect of this arrangement, each member accepts full responsibility for the acts of his employees, agents and representatives. In the matter of voting, each member firm shall be entitled to one vote only.

ASSESSMENT.

That a monthly assessment, payable in advance, shall be made on the members to cover expenses of conducting the Council, including Secretary's remuneration, etc. This assessment to be set by the Advisory Committee.

RULES AND
REGULATIONS.

That definite rules and regulations to govern the actions of the members of the Fine Paper Section, the Coarse Paper Section, and the Envelope Section be prepared, very carefully considered and discussed, approved, and finally adopted so that every member will be familiar with what he has to do and the Executive Secretary will have specific regulations which he will be expected to see that every member observes.

That members of all sections, selling goods regulated by another section, must strictly observe the rules and regulations and the resale prices of the section interested.

ADHERENCE TO
REGULATIONS.

That, notwithstanding any arrangement to the contrary or any deviations from this principle that may have taken place, each member agrees to not directly or indirectly make any proposal or bargain nor do any act that would influence any sale or sales contrary to the accepted regulations, trade customs and schedules.

Members must definitely agree to abide by established prices and terms of sale and, in the event of any member having a reasonable doubt of any other member not conforming to same, he will place the facts before the Secretary in writing.

The Secretary will communicate with the alleged offending member and make the necessary investigation to establish the facts. The result of the investigation will be given to the member who made the complaint and, in the event of the member who made the enquiry not being satisfied with the explanation, then the whole matter will come before a meeting of the members of the section affected, of which due notice shall have been given all members.

LINES
COVERED.

That this arrangement shall cover sales made to purchasers and for delivery within the Province of British Columbia of all lines of paper and paper products, commonly handled by Fine Paper and Coarse Paper Merchants, and Envelope Manufacturers. The Council will be composed of three sections - one covering Fine or Printing Papers, another the Coarse or Wrapping Papers, and the third Envelopes, and each section will appoint its own committee for the purpose of making its own arrangements within the Council.

JOB LOTS OR
CLEARANCE
LINES.

Each member shall file with the Secretary details of all job or odd lots before such are offered on the market, copies of which shall be issued to the membership, and disposal of same shall only be made by consent of the section interested.

SPECIAL
ARRANGE-
MENTS

That, if for any reason the members find it necessary to make any deviation from the established prices and terms of sale, this must be arranged and agreed on by a majority of members of the section interested and the decision placed on record by the Secretary and sent to all members in the form of a report so that both the members and the Secretary will have a definite understanding of the arrangement.

NEW LINES.

No new lines to be put on market until approved by the section interested.

FINE PAPER
SECTION.

That the regulations of the Central Section of the Canadian Paper Trade Association respecting sales and the price schedule thereto are hereby incorporated as part and parcel of the arrangements herein set forth.

CREDIT
BUREAU.

That, as soon as possible after organization is completed, a Credit Bureau be created, under direction of the Secretary, to work in collaboration with the Credit Managers of the member firms.

REVIEW:

Any of the foregoing arrangements are subject to review, on reasonable notice from any member but, in any case, a general review shall be made during the first week of July, 1935."

(Exhibit 72)

The evidence shows that at least once each year in the years 1936 to 1950, consideration was given at meetings of the P.D.C. to the contents of the Rules and Regulations. Amendments in point of detail were made from

time to time but they were never of such a character as to change the Rules and Regulations in any material respect. A copy of the Rules and Regulations as they were when this inquiry began is set out in the Appendix to this report. Some illustrations from minutes of P.D.C. meetings of the methods used in reviewing the Rules and Regulations and making amendments to them follow.

At the January 10, 1939 meeting a committee of two was named to review the "Rules and Regulations". The matter again came up at the February 7 meeting and the minutes show:

"Revision of By-Laws - The Secretary intimated that as a result of the reference to the special committee at the last meeting and circularising the Members for suggestions, the only change offered referred to the responsibility and representation of Members at meetings. The suggested amendment in that connection was read, copy being attached to and forming part of these Minutes. In order that all would have an opportunity of considering the change, it was decided a copy should be sent to each and the matter placed on the agenda for disposition at the March meeting."

(Exhibit 73)

As amended the section in the By-Laws was to read:

"RESPONSIBILITY AND REPRESENTATION:

That each firm will give to the Secretary in writing the name of their executive or staff who will attend the meetings in each Section;

That one representative of each concern will attend all meetings and he will have authority to discuss fully and in general to act for the Members of the firm;

That in respect of this arrangement each Member will accept full responsibility for the acts of his employees, agents and representatives.

In the event of one or more employees of a Member wishing to attend a meeting, it will be understood they can do so but will not enter into discussions except with the expressed invitation of the Chairman."

(Exhibit 73)

Minutes for the March 7, 1939 meeting say:

"Revision of By-Laws - The change in the By-Laws, as submitted to the last meeting was read by the Chairman and afterwards, on motion regularly made, seconded and carried, duly adopted."

(Exhibit 73)

The secretary, John Cowan, and the chairman of the P.D.C., George T. Smith of Norfolk Paper, were asked at the P.D.C. meeting of January 11, 1949 "to scrutinize the existing By-Laws and submit any recommendations deemed desirable" (Exhibit 76). This committee made a written report under date of February 1, 1949:

"To the President and Members of

THE PAPER DISTRIBUTORS COUNCIL OF B. C.

Dear Sirs:

This is to advise that we, as a committee, met and perused the By-laws in their present form. There are only two changes we would recommend. Those relate to the paragraphs on 'Organization' and 'Rules and Regulations'. The amended ones follow:

Organization

For their mutual benefit and the general good of the Industry, Paper Distributors, Stationery Distributors and Envelope Manufacturers located in the Province of British Columbia agree to form and constitute an organization known as 'PAPER DISTRIBUTORS COUNCIL OF B. C.'

Rules and Regulations

Every section will appoint a committee for the purposes of making its own arrangements within the Council and will be governed by definite rules and regulations as set out hereafter.

In passing we wish to emphasize by redirecting attention of all to the paragraph reading:

'Each Member shall file with the Secretary details of all job or odd lots before such are offered on the market, copies of which shall be issued to the membership, and disposal of same shall only be made by consent of the section interested.'

No new lines to be put on market until approved by the section interested."

(Exhibit 76)

Minutes for the P.D.C. meeting of February 4, 1949 say:

"Revision of By-laws - The Committee formed to consider amendments presented its recommendations, copy being attached to and forming part of these minutes. There were only two changes, almost routine in nature, but giving effect to slight adjustments in the organization mainly resulting from the contemplated addition of the Stationery Section."

(Exhibit 76)

The Stationery Section had not got into full operation by the time this investigation started. The members of the Envelope Section were Barber-Ellis of Vancouver and Pioneer Envelopes Limited - the latter company being affiliated through shareholdings with Smith, Davidson & Wright.

3. The Secretary of the P.D.C.

John Cowan was appointed Executive Secretary of the P.D.C. at a meeting held on December 21, 1934. His duties commenced as of January 1, 1935 and he was still discharging certain duties in 1950.

When Mr. Cowan took on the secretary's duties, he was apparently without background in any part of the paper trade or industry. Throughout the fifteen or more years he was secretary, he held other employment and looked upon his P.D.C. duties as distinctly secondary thereto. He nevertheless devoted a considerable amount of time to the affairs of the P.D.C. and its C.P.D. and assumed and discharged the duties of secretary in a very active way. Mr. Cowan took the minutes for the great majority of the meetings of both of these organizations. He was able to write shorthand and his minutes ordinarily took the form of a more or less complete recording of the discussions which were held as well as a record of who were present and what formal decisions were reached.

As indicated in the Rules and Regulations, Mr. Cowan had duties related to the maintenance of the price agreements to which the paper distributors were parties. In addition, he supplied office facilities for the dissemination of price information and sometimes represented the members in dealings with outside individuals and organizations.

4. The Executive Committee of the C.P.D.

As a general rule, meetings of the P.D.C. were held monthly. At these meetings, matters of interest to both fine and coarse paper distributors were discussed. After the general meeting was adjourned the divisions held meetings where matters of interest to the particular division were dealt with. It was the regular thing for Mr. Cowan to attend the meetings of the C.P.D. and to keep the minutes. In addition to its regular meetings, the C.P.D. had many special meetings which were also attended by Mr. Cowan. As a general rule, special meetings were held to deal with only

one or two important subjects whereas in the regular meetings, many different matters of detail were customarily given attention. The meetings were sometimes attended by representatives of one or more of the three B.C. manufacturers and on one or two occasions in the pre-war period by the British Columbia representatives of Eddy, Appleford and Interlake.

The most important committee of the Coarse Paper Division was known in 1935 as the "Mills Relation Committee". It was elected annually. Until February 1947 it had two members and after this date it had three. About 1941 the name "Mills Relation Committee" passed out of use and the committee became known as the "Executive Committee".

The Executive Committee had the duty of advising the secretary as to what price information he should send out and, if there was any need, to whom it should be sent. The committee was responsible for the calculation of new selling prices after notice had been received that a supplier's price had changed. It was this aspect of the committee's duties that J. R. E. McLaren of Smith, Davidson & Wright, one of its members from 1947 on, was referring to when in giving oral evidence he called the committee "the price committee" (Record, pp. 774, 5). Another part of the committee's duties had to do with representing the C.P.D. in discussions with suppliers and other persons or organizations outside the membership. In the ordinary course of transacting C.P.D. business, Mr. Cowan looked to the Executive Committee for advice and direction when he needed it.

III. B.C. Manufacturers' Recognition of Four Vancouver Wholesale Grocers as Distributors, 1938-1940

In the years 1935 to 1938 inclusive, the only British Columbia distributors who could buy British Columbia products for distribution in British Columbia by direct purchase from all three B.C. manufacturers were the five already named. So long as these paper distributors were able to secure for their suppliers a satisfactory part of the available business in British Columbia, the B.C. manufacturers were apparently prepared to continue to restrict their British Columbia sales to such distributors. When, however, developing trade conditions, beyond the control of the B.C. manufacturers, resulted in a threat to their position in the British Columbia market, they were forced, as a matter of serious self interest, to consider a change of policy.

In early 1938 Eddy, Interlake and Appleford lines and some others were being regularly offered for sale in British Columbia. In addition, foreign coarse papers were from time to time available at attractive prices. There would have been nothing new in this had not developments in the grocery trade made the availability of such products of increased significance both to the B.C. manufacturers and their distributors.

By 1938, chain stores handling groceries and household lines had achieved considerable importance in British Columbia as they had done in other parts of the country. To a very considerable degree these chain stores appealed to the public on the basis of lower selling prices than individual small stores were charging. In addition to the corporate chain stores, individual retailers were organizing into voluntary chains or buying groups and the wholesalers supplying them were endeavouring to assist them in meeting the competition of the corporate chains. It was clear to the organizations supplying both kind of chains that one way to make reductions of retail prices possible, and still profitable, was to achieve the buying economies that would follow from being recognized as direct buyers from manufacturers. In British Columbia at this time the large wholesale grocers got their coarse papers which were made in British Columbia through the recognized paper distributors. Although they ordinarily bought at a preferred price to that available to large retailers, they bought at prices that still allowed the paper distributor a substantial margin of gross profit. As the situation developed, retail grocer outlets became linked more closely to particular wholesale grocers through one or other of the buying arrangements which were established and as wholesale grocers widened the range of products they supplied under such arrangements, an increasing proportion of the retail trade became closed to the specialized paper distributor. In addition, by reason of their increasing importance as channels for the distribution of coarse papers, the wholesale grocers could seek direct buying privileges from manufacturers outside of British Columbia when they were refused such privilege by local manufacturers.

In late 1937 or early 1938 four wholesale grocers who were doing business in Vancouver formed what is described in the evidence as a "Wholesale Grocers Association". The members were:

Kelly, Douglas & Company, Limited (Kelly Douglas)
Macdonalds Consolidated Limited (Macdonalds Consolidated)
The W. H. Malkin Co. Limited (W. H. Malkin)
The Vancouver Supply Company Limited (Vancouver Supply)

Sometime in April 1938 E. M. Herb, then the general manager of Westminster and later its president, and J. A. Young, vice-president of Pacific Mills, attended a luncheon with a committee from the Wholesale Grocers Association. At this luncheon the mill representatives were asked to consider selling the wholesale grocers "paper products on a direct list". This request was brought to the attention of the paper distributors and at a meeting of the C.P.D. on May 3, 1938 they "expressed themselves as being absolutely opposed to the suggestion but realised it would be expedient to arrange the conference sought by Messrs. Herb and Young" (Exhibit 66).

Another C.P.D. meeting was held on May 20, 1938. It was attended by representatives of Westminster and Pacific Mills and by W. T. Rae, Vancouver manager for J. C. Wilson which was not yet a member of the P.D.C. In the course of the discussion the mill representatives suggested that the paper distributors confer with the wholesale grocers and "discuss matters pro and con but this did not meet with the approval of the Members". After some further discussion the mill representatives left and the paper distributors decided "there appeared no grounds whereby any thought should be given to entering into negotiations with the Wholesale Grocers" (Exhibit 66). For the time being the situation was allowed to remain as it had been.

By the end of 1938 the situation had become further aggravated. For one thing, the wholesale grocers when selling coarse papers were not adhering to the resale prices agreed upon within the C.P.D. although the C.P.D. members hoped they would do so and in respect of some lines at least were granting a special discount in this expectation. For another thing, one or more of the wholesale grocers was occasionally bringing in some coarse paper from foreign sources. It was undoubtedly the case, too, that Eastern Canadian coarse papers were being handled by the wholesale grocers to a greater extent than they would have been had similar British Columbia products been available to them at the distributors' going cost prices.

The first major change in the situation came in January 1939. At the same time as a revised price schedule, apparently involving price cuts in distributors' cost prices "to offset to a material extent the situation created by the recent importations of the American product" was announced by Bartram, some change was made with respect to bag purchases by Kelly Douglas, Macdonalds Consolidated and W. H. Malkin. Minutes of a C.P.D. meeting held on January 18, 1939 show Mr. Bartram, who was present, to have described the change as one whereby the three wholesalers were put on what he called a "brokerage basis". Other evidence indicates that these three firms became "customers" of Bartram on January 1, 1939 and apparently from that time they could buy Bartram grocery bags under conditions as favourable or practically so as could any of Bartram's previously recognized distributors. With one possible exception, these

three firms were the only new British Columbia distributors recognized by Bartram in the period 1939 to 1949 inclusive.

The next major development took place in 1940. Apparently it was precipitated by Eddy offering to sell toilet tissues to the Safeway organization of which Macdonalds Consolidated was the wholesale end, direct at the same prices as it would sell to recognized paper distributors, with the result that Safeway Stores made demand on Westminster that it should equal the Eddy proposals "with respect to their brands of Toilet Tissues" (Exhibit 67). At this time Macdonalds Consolidated not only served the important Safeway retail chain in British Columbia but had wholesale branches in Vancouver, Victoria and a number of other places. Safeway was, in the circumstances, obviously in a good position to put heavy pressure on Westminster. In addition the difficulty arose at just about the time Westminster was to double its capacity by completing the rebuilding of its paper machine, and loss of a substantial amount of business in its home territory was something to go to considerable lengths to avoid.

There was a meeting of the C.P.D. on March 21, 1940 attended by C. T. Radcliffe, sales manager of Westminster and E. M. Herb of the same company, as well as by J. A. Young of Pacific Mills and W. T. Rae of J. C. Wilson. The problem posed by the Eddy offer to Safeway was considered and Mr. Herb is reported to have told those present he had to make a decision "before 11 A.M., which fact necessitated calling a meeting on such short notice" (Exhibit 67). Despite the stated urgency of the matter, Westminster delayed making any decision for a time.

The C.P.D. had another meeting on March 25 with W. T. Rae being the only outsider present. At this meeting it was decided to have a further meeting on the next day and to invite mill representatives to attend. It was also decided that at this meeting the following resolution would be submitted to the mills "as indicative of the position of the Distributors":

"THAT the Paper Distributors are of the opinion the Paper Distributing Business belongs to them entirely and with the viewpoint of preserving their interests, they will formulate and initiate a selling policy which will have as its aim the direction and confinement of the Paper Distributing Business to the Distributors represented at the meeting."

(Exhibit 67)

The meeting of March 26 was held and the resolution was brought to the mills' attention. No final decisions were made.

Several other meetings were held before the one on June 10, 1940. Apparently Westminster had on June 8 written a letter which in effect meant that it was recognizing the four wholesale grocers already named as distributors of its products in British Columbia. It was the opinion of those at the meeting that Pacific Mills would follow

Westminster's lead and it was reported that both Westminster and Pacific Mills had already taken somewhat similar action with respect to certain Prairie accounts. At this meeting, "It was reported the Mills had advised that the Wholesale Grocers were willing to meet the Distributors at any time and work with them regarding prices, etc." (Exhibit 67).

At the time Westminster recognized the four wholesale grocers, it apparently made all its coarse paper lines, including waxed bread wrapper, available to them. When Pacific Mills shortly thereafter recognized them, it, with a broader line of products, gave three of them its T.N.T., kraft wrapping paper and household waxed paper lines but did not give them all the lines available, one of the latter of which was waxed bread wrapper. Insofar as Vancouver Supply was concerned, it received only the T.N.T. and household waxed paper lines.

Westminster's policy on waxed bread wrapper was apparently brought into line with Pacific Mills' by Westminster withdrawing it from the new distributors. A letter written on July 31, 1940 to J. A. Young of Pacific Mills by C. T. Radcliffe of Westminster reads as follows:

"Following conversations in your office regarding breadwrappers sold to the Polly Ann Bakeries.

We have completed arrangements with MacDonald's Consolidated to the effect that there will be no change in the method of handling breadwrappers from that in effect before we appointed the MacDonald's Consolidated as distributors of our products. Breadwrappers will be sold through and charged through the Vancouver Pacific Paper Company, or any other paper distributor designated by Polly Ann Bakeries, and will not be charged to MacDonald's Consolidated by the Westminster Paper Company, nor will any commissions apply to MacDonald's Consolidated or the Polly Ann Bakery on this business."

(PML 61-10B)

On August 1, Mr. Young replied:

"Many thanks for your letter of July 31st. I am sure that the arrangements which you have completed regarding the Polly Ann Bakeries will be greatly appreciated by the trade, and it will most certainly eliminate any possible embarrassment with the other Bakery accounts. Not only that, I think in making the arrangement as you have, forestalls a price reduction which we can ill afford at this time. Thank you very much."

(PML 61-10A)

It was not until after the removal of wartime price controls on coarse papers in April 1947 that all the differences in treatment, whether by way of loyalty discount on kraft wrapping papers or other special discounts which had been allowed to the old distributors, or

whether by way of restriction of lines which were sold direct to the wholesale grocers, were removed for three of the wholesale grocers. Vancouver Supply was never given direct buying privileges on all lines and when the inquiry opened was still not a direct buyer from any of the B.C. manufacturers of kraft wrapping papers or paper bags.

Immediately after the four wholesale grocers were put on the direct buyer lists of Pacific Mills and Westminster in 1940, officials of these suppliers took steps in conjunction with the coarse paper distributors to bring about that the wholesale grocers would sell at prices in common with such distributors. The character and extent of these efforts will be described later in this report as will the relationships between the C.P.D. and the wholesale grocers, only one of which, Kelly Douglas, ever became a formal member of the group.

1. Description of the Four Wholesale Grocers

Kelly, Douglas & Company, Limited

This wholesale grocery company was incorporated in 1906, succeeding a partnership of similar name which was formed in 1896. For many years the company manufactured various food products, the main ones being sold under the trade name "Nabob". The manufacturing part of the business was separated from the wholesale operation in December 1948, becoming Nabob Foods Limited. Kelly Douglas formed a paper division within its company in early 1946. The company has branches in a number of the principal cities and towns of British Columbia, including Victoria, Nanaimo, Alberni, Penticton, Kamloops, Vernon, Kelowna, Nelson, Cranbrook, Trail, Prince Rupert, Prince George and Quesnel. Its main branch, from which it serves the lower mainland area of British Columbia, is in Burnaby. Kelly Douglas joined the P.D.C. in 1946 and resigned from it in September 1949 after the inquiry started.

Macdonalds Consolidated Limited

This company, which has its head office in Winnipeg, Manitoba, was incorporated on May 2, 1929 when it succeeded another company of the same name which had been engaged in the wholesale fruit business. From May 2, 1929 to June 26, 1947 the control of this company was in Safeway Stores, Incorporated (a Maryland, U.S.A. corporation). On June 26, 1947 Canada Safeway Limited took over all the stock in Macdonalds Consolidated with the exception of the directors' qualifying shares. The company has carried on a wholesale grocery business and has operated as the wholesale procurement agency for Canada Safeway Limited in which activity it has various unincorporated divisions with separate company names. One of these is known as the Douglas Paper Company. Under a Declaration registered on March 27, 1947 under The Partnership Act of British Columbia, by Macdonalds Consolidated Limited it was certified that Macdonalds Consolidated Limited intended to carry on trade and business as processors and distributors of paper products at 422 Richards Street, Vancouver under the name and firm of Douglas Paper Company, Division of Macdonalds Consolidated Limited, and that no other person was associated with it in the partnership.

Canada Safeway Limited, of which Macdonalds Consolidated is a wholly owned subsidiary, operates retail grocery stores in British Columbia and several other Canadian provinces.

Since it was set up Douglas Paper Company has been responsible for the centralized procurement for Macdonalds Consolidated, and hence Canada Safeway, of all the various coarse paper lines required for use and trade. In part it has bought these from Pacific Mills, Westminster Paper and Bartram Paper Products. Douglas Paper Company has not had any branches in British Columbia but Macdonalds Consolidated has. Latterly, these have been located in Vancouver, Victoria, Dawson Creek and Fernie. Macdonalds Consolidated has not sold coarse papers to customers other than Canada Safeway in the Vancouver area since 1942 when Kelly Douglas acquired the company's general wholesale grocery business at Kamloops, Kelowna, Cranbrook, Nelson, Trail, Quesnel, Prince Rupert and Vancouver. Although Macdonalds Consolidated was represented at meetings of the P.D.C. or its Coarse Paper Division in the period immediately following its recognition as a buyer from Pacific Mills and Westminster, it never became a member of that group, and its general operations in Vancouver, as has already been indicated, ceased in 1942.

The W. H. Malkin Co. Limited

This company was incorporated in June 1900, and has since then had its principal place of business in Vancouver. Besides being a wholesale grocer handling coarse paper lines, the company has been in the business of blending teas, roasting coffee and manufacturing spices, extracts, jelly powders, baking powder and drug sundries. W. H. Malkin has had branches at Kamloops, Kelowna, Nanaimo, Nelson, New Westminster, Penticton, Prince George, Prince Rupert, Trail, Vernon and Victoria. For some years a controlling interest in W. H. Malkin has been held by Western Grocers Limited of Winnipeg, Manitoba.

W. H. Malkin was represented from time to time after its recognition as a direct buyer by Pacific Mills and Westminster at meetings of the Wholesale Paper Distributors and its approval of important changes in selling practice was sought by the members of the Coarse Paper Division before they were put into operation. W. H. Malkin did not become a member of the P.D.C.

The Vancouver Supply Company Limited

This company was incorporated on September 30, 1920. In late years a substantial part of its business has been in the supply of groceries to restaurants, logging and mining camps and government institutions. Another side of the business is directed to the meeting of various supply requirements of ships operating into Vancouver. In addition the company has since 1939 catered to the retail store trade. Since 1934 Vancouver Supply has had a department which has sold cleaning materials and coarse papers to hotels and office buildings. Vancouver Supply was recognized by Pacific Mills as a direct buyer only of its T.N.T. lines and household waxed paper. It has not been able to buy wrapping papers or grocery bags direct from the B.C. manufacturers. It has had no branches outside Vancouver. It has been represented at a few meetings of the Wholesale Paper Distributors but it did not become a member of the P.D.C.

IV. Price Arrangements in British Columbia

The following paragraphs will describe, chiefly by quotations from minutes and other documents, the operations of the Coarse Paper Division of the Paper Distributors Council of B.C. At no time did the membership of the C.P.D. embrace all the wholesale sellers of coarse papers in British Columbia and the arrangements relating to selling prices and conditions of sale of coarse papers ordinarily involved distributors outside that membership. The arrangements also from time to time involved the B.C. manufacturers.

The evidence suggests that prior to the organization of the P.D.C. in 1935, the distributors' resale prices were named or suggested by the supplying mill. Apparently this permitted the mills to apply a "squeeze" on the distributors' margins when market conditions forced a lowering of prices, and one of the reasons for the organization of the P.D.C. was to restore control over resale prices to the distributors and to allow them to put up a common front in treating with the B.C. manufacturers.

From 1935 on, the part played by the B.C. manufacturers in arriving at distributors' resale prices cannot be clearly delineated and it differed on the part of each manufacturer and in point of product and in point of time. The significance of these facts and the arguments that were based upon them will be considered in a later part of the Report. It seems desirable, however, that the reader's attention be directed, at the beginning of this chapter, to the fact that various arguments were advanced by the parties in the course of the inquiry to the effect that the operations of the C.P.D. in respect of the naming of prices were restricted to the dissemination of price information obtained from the B.C. manufacturers.

A move towards a change in policy with respect to the mills' practice is indicated in the following minute of a meeting of the Mills Relation Committee of the C.P.D. with J. A. Young of Pacific Mills and E. M. Herb of Westminster on October 28, 1935:

"RESALE PRICES ON PLAIN WAXED PAPER:

It was pointed out to the Mills that all changes in resale prices should be mailed direct to the Secretary of the Council for attention and not direct to the Distributors, and that new costs on the lines affected should accompany the suggested changes in resale. In this instance, a non-Member of the Council had immediately put the suggested resales on Plain Waxed Paper into effect without waiting for the official price sheet through the Secretary and without knowing what the new cost would be on same.

The Mills were quite agreeable to handle all price changes through the Secretary of the Council in future and would also immediately work out new costs on White Waxed Sulphites and Tissues."

The position of J. C. Wilson in the period 1935 to mid-1940 was not one of complete independence nor was it one of unqualified undertaking to follow the lead of the members of the C.P.D. in the pricing and selling of coarse papers. The following quotation from the minutes of a meeting held on November 27, 1934, before the P.D.C. became formally organized, shows, in part, what this position was:

"Mr. Rae, speaking for J. C. Wilson Limited, stated that he wished to make his position clear regarding his attitude toward the newly-formed organization. He stated that, while he would be willing to contribute financially toward the cost of the Council, he was not willing to become an active member of same and, while he would no doubt observe the price schedules to be established, he would not be bound by any rules and regulations and would pursue his own policy in the event of price situations arising, rather than make use of the facilities of the Council. . . ."

(Exhibit 72)

Documentary evidence of a later date shows that on occasion J. C. Wilson, before it became a member of the P.D.C., made complaint of price cutting against one of the members and, on occasion, complaint was made against it. Apparently such complaints were treated by the secretary in the same way as they would have been had J. C. Wilson been a member. The documentary evidence also shows that in the period before it became a member its approval was ordinarily sought before action was taken on some matter in which it might be interested.

The following incident, as disclosed by the minutes of two consecutive C.P.D. meetings, shows how the wishes of J. C. Wilson were consulted in considering the addition of a buyer to a preferred list:

Meeting of January 7, 1936:

"Union Packing Co. Ltd. - Written request was made that this Company be placed on the list of Meat Packers for Wrapping Paper, Waxed Paper, etc. It was thought that Messrs. J. C. Wilson Ltd. supplied them and on that account it was considered necessary to determine the basis of sales. With this information, the course to be followed could be readily set. The Secretary undertook to secure the necessary data."

(Exhibit 66)

Meeting of February 25, 1936:

"Union Packing Co. Ltd. - In accordance with the advice given at the previous meeting, the Secretary communicated with Messrs. J. C. Wilson Ltd., and found they desired this concern to be treated like the

other Packing Companies, that is placed on the wholesale list. Accordingly, this procedure was adopted and the Members advised in the usual way."

(Exhibit 66)

On March 16, 1937 a special C.P.D. meeting was called at the request of Pacific Mills and Westminster and was attended by representatives of each of the members, of J. C. Wilson, Pacific Mills and Westminster and of Interlake and Tees & Persse (Eddy's agent). At the start of this meeting Interlake's representative indicated "that on instructions received from his principals, it must be realized that he was not agreeing to adopt all or any of the regulations, price changes, etc., that might be considered and effected by the Council and others present". The minutes go on to say:

"However, he gave the assurance that with knowledge of the alterations made in the different lines, there would be parallel changes in those quoted by his Company. . . ."

(Exhibit 66)

The minutes gave a lengthy record of the subjects discussed but the decisions reached can be summarized by quoting a letter written on March 17, 1937 by Pacific Mills to the leading manufacturers in Eastern Canada of T.N.T. lines:

"Since writing you on March 15th in regard to the proposal to increase prices on toilet and tissue lines in Western Canada, we held a meeting in the office of the Canadian Credit Men's Trust Association in Vancouver, which was attended by all the representatives of the paper distributing houses in Vancouver, also representatives of the E. B. Eddy Company, Interlake Tissue Mills and Westminster Paper Co. Ltd.

The meeting adopted, with minor changes, the complete schedule enclosed with our above mentioned letter, and appointed a Committee to formulate the remaining resale prices, all of which are being made effective today. We were very pleased with the co-operative attitude displayed by every individual who attended this meeting, and were able to dispose satisfactorily of a number of conditions that have caused trouble in the past. Naturally, the interests of different firms represented at the meeting were in conflict, but we confidently expect that the new prices will be maintained, and there is reasonable hope that further advances can be made when conditions warrant them."

(PML 30-6)

Apparently the members of the C.P.D. were not satisfied with the profit margins made available to them as the result of these price changes, for on April 6, 1937 when they next met they passed the following resolution:

"THAT in future revisions of resale prices, the Mill costs shall be secured by the Council before the new prices are established or adopted by the Members. This is with the view of controlling the resale prices generally and in particular the margin of profit to be earned by the Distributors in future."

(Exhibit 66)

Following on meetings which were held in Winnipeg, Pacific Mills and Westminster arranged to put out new resale prices on "practically all waxed lines except kraft" with effective date of April 26, 1937. The distributors were again dissatisfied with the margins left for them and on May 11 held a special meeting which was also attended by W. T. Rae of J. C. Wilson, E. M. Herb of Westminster and J. A. Young of Pacific Mills. A record of the meeting includes the following:

"(It was held) for the purpose of discussing recent advances in Wax Paper prices and particularly to get the opinion of the Mill representatives as to the advisability of raising the resales over and above the prices set by the Wax Paper Council. After a very lengthy discussion it was decided to raise the price of Wax Papers 8x11 400s and 1000s an extra 5% and domestic household lines 2½%. This being agreed upon the meeting was adjourned."

(Exhibit 66)

The C.P.D. met on March 1, 1938 and considered a request that, if granted, would have resulted in certain price concessions given to the wholesale grocers being extended to several large retailers. The minutes say:

"Woodwards Ltd. - A letter from a Member dated February 26th was read. This sought the application of the preferred list to department stores, granting them similar privileges to those enjoyed by the wholesale grocers, particularly that of the extra 5% discount allowed the latter concerns on Toilet Tissues. The various angles were reviewed when it was decided to refer the question to the Mills Relation Committee for joint consideration with the Mills. The further suggestion was proffered that the Secretary approach the wholesale grocers with the object of bringing prominently to their attention the primary idea entertained at the time the extra discount was granted them, viz. that of price maintenance. Accordingly, it was decided to defer final action until the Mills Relation Committee and the Secretary reported on both aspects."

(Exhibit 66)

The minutes of various meetings held at about this time show the Mills Relation Committee to have been very active but neither such minutes nor the other documentary evidence shows that the relevant preferred list was extended at this time to include department stores.

The minutes of the meeting of March 1, 1938 also contain the following:

"Printed and Embossed Napkins - A letter from the Mills Relation Committee, enclosing amended price lists, was read. Mr. Dennis amplified the procedure in arriving at the changes, after which the new schedule was duly approved."

(Exhibit 66)

Prior to the recognition by the B.C. manufacturers of the wholesale grocers as direct buyers, the wholesale grocers obtained coarse papers of British Columbia manufacture through one or another of the recognized distributors. They bought at prices which allowed them some margin of gross profit if they resold at the prices recognized by the members of the C.P.D. When, however, coarse papers of outside manufacture were offered by a wholesaler not in the formal group, some departure from prevailing prices might result in pressure being brought on the established price arrangements and agreements. Apparently such pressures developed in the latter part of 1938 with respect to kraft wrapping papers and paper bags. At a C.P.D. meeting held on November 28, 1938, with respect to kraft wrapping paper "it was felt the spread between the cost and selling prices was too great and invited competition" and it was suggested "that a tentative adjustment of the price structure of Kraft be left with the Mills Relation Committee . . ." (Exhibit 66). A further meeting was held on December 1, 1938 and the minutes show that there had been developments:

"KRAFT WRAPPING : As directed at the last special meeting, the Mills Relation Committee submitted data prepared by them with respect to Wrapping Papers, a copy of the amended schedule in that connection being attached to and forming part of these Minutes.

The revised prices were then explained by Mr. J. W. Nunn who in the course of his remarks indicated the gross profit earned under the changes recommended. Protracted discussion ensued as a result of which several alterations were effected, these being incorporated in the annexed schedule.

The feature calling for special consideration had reference to the suggestion that the 5 % special discount formerly enjoyed by the 'B' Jobbers be discontinued, the respective price adjustments being based on the assumption of that idea. After due deliberation it was decided to re-establish the allowance, those prices applicable to merchants being revamped to conform to this revision.

A tentative list was then prepared of the accounts entitled to the special discount mentioned. Copy of this is also attached to these Minutes. In that connection the Secretary was directed to furnish a copy to all present with the intention that they consider the situation and be prepared to suggest any amendments desired thereto not later than Monday, December 5th, so that further thought could be given these at the next regular meeting of the Division."

(Exhibit 66)

The minutes include a sheet setting out selling prices for wrapping paper and a list headed "Tentative List of Jobbers to whom the special 5 % Discount should be extended". The subject was again considered at meetings held on December 6 and December 16 and finally firm decision on a course of action was taken at a meeting held on January 18, 1939. The minutes state:

"KRAFT WRAPPING PAPER :

A lengthy discussion followed with respect to sales of Kraft Wrapping Paper. It was felt local conditions in that connection were exceedingly chaotic and steps should be instituted to preserve the interests of the Distributors and to offset and divert the drift of sales which was in evidence and rapidly becoming a menace. It was finally agreed to adopt the price schedule reviewed at former meetings, particularly that held on December 1st last. It was also decided the tentative list of special accounts entitled to the 5 % discount reviewed then would become official, with the addition of the following names:

Burnyeats Ltd.
Gordon and Belyea Ltd.
Karl Anderson"

(Exhibit 66)

W. T. Rae was present and represented J. C. Wilson at the meetings of November 28, December 1 and January 18.

In addition to the action taken at the meeting of January 18, 1939 with respect to kraft paper resale prices, the meeting, which was attended by C. A. Bartram of Bartram Paper, gave consideration to resale prices for bags. In this respect the minutes include the following:

"BAGS :

. . . .

. . . it was felt they (those present) could reasonably adopt the schedule furnished by the Bartram Paper Products Ltd., as the wholesale price in respect of Bag sales.

In his subsequent remarks Mr. Bartram stressed that reasonable care should be exercised with regard to fixing the resales in classes other than those deemed wholesale. In that connection Messrs. Dennis and Nunn submitted an amended schedule outlining the suggested amendments to meet the prevailing conditions. In a general way the quantities of 5 M. and over represented a 20 % upcharge on the cost basis to the wholesalers. This was finally agreed, the Secretary being instructed to issue the revised price lists as per copy attached to and forming part of these Minutes.

Among other things it was noted the revision did not make any change in the prices governing 500 bag lots, neither was there any action taken with regard to the Eastern B.C. schedule, that being left unaltered for the time being. The Secretary undertook to have the price list issued with the maximum despatch so the changes could be effected immediately.

As a result of the ensuing discussion, it was decided a copy of the sheets would be furnished the Wholesale Grocers coincidentally with those delivered to the Members."

(Exhibit 66)

When Mr. Cowan sent out price sheets showing the prices at which the parties were to sell the products described, he ordinarily sent a covering letter with them. Thus on January 18, 1939 he wrote to Kelly Douglas, W. H. Malkin and Macdonalds Consolidated and said:

"Re: Grocery Bags & Kraft Wrapping

Attached you will find revised schedules with regard to resales in connection with the above. These prices are being adopted by the Paper Distributors and will become effective today.

I have been requested by the Council to furnish you with these particulars and would appreciate your co-operation in having these prices recognized in connection with any sales of these commodities in B. C. territory.

Thanking you in anticipation,"

(PDC 5-4B)

On the same day Mr. Cowan sent a circular letter to the Coarse Paper Division members:

"Re: Wrapping Paper

Following the arrangement made at the meeting this morning, you will find attached price list in connection with the above together with a list of the jobbers to whom the 5% discount will apply.

Kindly be governed accordingly."

(SDW 14-29)

The names of the three wholesale grocers, Kelly Douglas, W. H. Malkin and Macdonalds Consolidated were included in the list of accounts, approved at the meeting of January 18, 1939, which were qualified to receive the special 5 per cent discount on kraft wrapping paper purchases.

Tees & Persse in Vancouver, as handlers of Eddy and Appleford products, were kept informed as to resale prices being charged by the distributors for various coarse paper items. Apparently this was in the expectation that Tees & Persse would observe such prices. Thus, Mr. Cowan wrote to Tees & Persse on September 23, 1939:

"Re: Waxed Rolls

Enclosed herewith you will find revised price lists in connection with the above which are being issued to the Members of the Council today.

I take it unless advised to the contrary that you will conform to the schedule as set out in the attached sheets.

Thanking you for your kind co-operation in this regard,"

(PDC 43-1)

In November 1939 there were price increases by Pacific Mills and Westminster on a number of their lines including:

- Toilet papers
- Napkins
- Paper towels
- Tissues
- Specialties of Westminster
- Waxed sulphites, waxed kraft and lunch rolls
- Breadwrapper.

On November 24, 1939 J. A. Young sent John Cowan, secretary of the P.D.C., new distributors' cost price lists on all these lines whether made by Pacific Mills or Westminster or both and said:

" . . .

It is the intention of Westminster Paper Company and ourselves to mail copies of these lists to all of our distributors on Saturday noon, thus they will be in the distributors hands first thing Monday morning.

The price lists are effective December 1st and we are advising our distributors that we will protect their requirements at prices prevailing before this increase on a quantity not to exceed 1/12 of their annual purchases of the various grades from the mills.

That is, we are giving them 30 days protection at the old price so that the increase will go into effect with the least possible disturbance to the trade."

(Exhibit 141)

In a letter dated November 24, 1939 which he wrote to an Eddy official in Hull, P.Q., E. M. Herb of Westminster said:

" . . .

. . . we have made out a complete new schedule of prices to take effect immediately. We have increased prices from about 10% upwards and these new lists definitely agreed on by both Pacific Mills and ourselves will be placed before the Council the early part of next week. In this structure we have included serviettes but I believe the prices we are going to adopt are higher than those you recommended for the west at the recent meeting of the Cellophane-Wrapped Serviette group. I had hoped to attach complete copies of prices to this letter as they pertained to the west, but there are two or three points not as yet definitely settled with Pacific Mills and we will finish our discussions on same this afternoon. Completed lists therefore will be mailed you either tonight or tomorrow.

. . ."

(Exhibit 123)

Eddy co-operation in observing the new prices was promised in a letter written from Hull on November 28, 1939 to Mr. Herb:

" . . .

I understand from Mr. Powell (Tees & Persse, Winnipeg) that you are planning increased prices in the West at the present time, and we have already written, signifying our

intention to agree to any increases which will show us all a more equitable return than has obtained in the past few years."

(WES 107-3)

On November 25, 1939 Mr. Cowan sent the members of the C.P.D.'s Mills Relation Committee copies of Mr. Young's letter of November 24 to him. On November 27, 1939 Mr. Cowan sent the members of the C.P.D. a letter which said that new resale prices were being prepared on a number of lines that he named and that these, which would be effective on December 5, 1939 "will be approximately 10% higher than the present schedules" (NFC 9-2).

It has already been mentioned that Westminster put four Vancouver wholesale grocers on its direct buyers' list on June 8, 1940 and that Pacific Mills followed shortly thereafter. Immediately following this action, considerable activity was directed toward bringing about arrangements under which the newly recognized wholesale grocers and the long recognized paper distributors should sell coarse papers at common prices. Some difficulties arose from the fact that the wholesale grocers did the great bulk of their business at margins of gross profit substantially below those maintained by the paper distributors on their coarse paper sales.

By June 14, 1940 Kelly Douglas and Malkin had apparently drawn up a set of suggested resale prices which were based on a markup of 12½ per cent on selling price. C. T. Radcliffe had taken up this proposal with L. W. Raley, president of Macdonalds Consolidated, and after giving it some consideration, Mr. Raley, according to a letter written on June 14, 1940 by Mr. Radcliffe to E. M. Herb, had come to the opinion it might be better "to leave things exactly as they are now, adopting the paper distributors' price schedule without any changes whatever, and carry this on for . . . six or eight months, or until the first of the year, at which time it could be reviewed . . .". In addition, Mr. Raley offered his support of any efforts which should be made to get Kelly Douglas and W. H. Malkin to work along these lines. Mr. Radcliffe then had conversations with Malkin and Kelly Douglas officials and their approval of the proposed line of action was provisionally obtained. Of these firms he said:

"They particularly appreciated the fact that while it would not be the intention of the wholesale grocers to break down prices now, or attempt to dictate to the paper distributors, it would be their ultimate intention to reduce the resales or percentage of spread gradually until, probably over a fairly long period of time, their percentages were brought down more in keeping with the wholesale grocers' costs of doing business."

(Exhibit 125)

At a meeting of the C.P.D., which was held on June 17, 1940, the members were advised that Pacific Mills had not yet put the four wholesale grocers on its direct list and that in the meantime the four wholesale grocers had expressed anxiety to arrange and issue resale price lists which would meet the ideas of the wholesale paper distributors. It was decided that if an invitation to meet with the wholesale grocers was extended, the paper distributors would accept and would be represented by a committee.

A meeting was held on June 19, 1940 of representatives of each of the four wholesale grocers and of the two-man Mills Relation Committee from the C.P.D. It was arranged that price lists satisfactory to both the old and new distributors should be prepared for the items which they now both bought direct, and that the actual preparation of the price lists should be undertaken by the C.P.D.'s Mills Relation Committee with the intention that "the Wholesale Grocers consider and adopt them, subject to any suggestions they might wish to make later" (Exhibit 67). It was thought that the imminent Federal budget might result in some change in conditions affecting prices and when the meeting adjourned it was "understood that tentative price schedules would be prepared and submitted for consideration as soon as possible after the incidence of the budget changes were known" (Exhibit 67). The budget did not contain any provisions directly affecting coarse paper prices and further meetings for the arrangement of details of procedures satisfactory to both groups were held. One of these was on July 3, 1940 and was attended by representatives of each of the four wholesale grocers and by the members of the C.P.D.'s Mills Relation Committee. At this meeting there was a long discussion of the list of "preferred accounts" but no definite action appears to have been taken.

Further meetings of the C.P.D. were held on July 4 and July 5 at which various plans for submission to the wholesale grocers were considered. On July 8 the members of the C.P.D. met with representatives of the wholesale grocers. As it was at this meeting that the arrangements were to a great extent finalized, the record of the meeting which was attended by John Cowan is quoted at length:

"At the outset the Chairman (C. H. Dennis) reviewed the different steps leading to the present occasion. He pointed out that a week or two ago the representatives of both groups met with the object of reaching a basis of operating which would be acceptable to all concerned. At that time it was felt, before proceeding to any extent, it might be advisable to consider the abolition of the preferred list, which had been used by the Wholesale Paper Distributors.

That matter in turn had been under consideration with the result that an amended schedule had been prepared, copies of which were distributed amongst those present. Protracted discussion ensued, the intent of which largely dissolved, when

it was recognised that the accounts mentioned were not entitled to preferred treatment in respect of all the commodities handled by the combined group. It was intimated these would be classified later and restricted to the commodities in which each was actively concerned.

After several phases were reviewed and arguments heard on a number of points which had or might arise, all agreed that the list as submitted should be accepted and no deviation from or variation in it should be made without formal notice being given through the Secretary.

It was also decided to have the Toilet Tissue lists prepared immediately and issued in light of the understanding reached at the last meeting of the Coarse Paper Division, which incorporated the suggestion of the Wholesale Grocers in connection with one, five and ten case lots.

Regarding a request that the Committee of the Wholesale Paper Distributors be augmented by representatives of the other group, the latter expressed themselves as satisfied to accept the recommendations of the present Committee, particularly in view of the fact that the main suggestions proffered by the Wholesale Grocers had been met. Accordingly it was also the understanding that preparation and distribution of the other price lists would proceed as expeditiously as the circumstances warranted.

The necessity of rigid recognition of the price lists by all parties was stressed and on a canvass of the meeting was undertaken unless and until after the matter had been officially regularized by invoking the machinery available through the Secretary's office."

(Exhibit 67)

Mr. Cowan wrote to the members of the C.P.D. on July 10:

"Re: Toilet Tissues

Following the several meetings of the Division and conferences with the Wholesale Grocers, revised lists in connection with the above have been prepared and are attached hereto. You will observe these are to become effective July 12th next.

You will also find attached the special list of accounts entitled to purchase Toilet Tissues at the 7% discount. In this regard, would point out that a few changes have been made from the copy supplied at the meeting on Monday, the principal

one being the addition of Kodel Grocery, New Westminster, which consists of a group of more than six stores and would therefore be entitled to purchase on this basis.

These schedules do not apply to Eastern British Columbia but sheets covering that territory are now being prepared and will follow in the course of a few days."

(SDW 15-15)

By the end of July Mr. Cowan had sent the various interested parties resale price lists and lists of the names of customers entitled to preferred prices on toilet tissues, waxed papers, towels, wrapping papers and grocery bags. The B.C. manufacturers were sent copies of the lists in which their products were covered and steps were taken to ensure that information relating thereto was available to eastern suppliers shipping into the territory.

One of the difficulties in maintaining a common resale price structure for coarse papers throughout British Columbia has been that Prairie wholesalers have, on occasion, been able to ship into Eastern British Columbia at prices lower than those which have resulted when an f.o.b. Vancouver price has been taken and freight costs to the Eastern British Columbia point have been added. A letter, written by John Cowan on August 8, 1940, to Tees & Persse in Vancouver indicates the steps being taken to deal with this problem at that time:

"Re: Eastern B. C. Territory

For your information you will find attached copies of price lists covering the Eastern B. C. Territory with respect to the following commodities:

1. Consumer's Prices on Grocery Bags
2. Special prices on Grocery Bags
3. Consumer's Schedule - White Confectionery Bags
4. Special List - White Confectionery Bags
5. Charm Facial Tissue
6. Paper Napkins
7. Paper Towels
8. G. & B. Waxed 6# rolls
9. G. & B. Waxed
10. Lunch Rolls and Folders
11. Waxed Rolls
12. Wrapping Paper

You will note that separate schedules have been prepared for both the West Kootenay and East Kootenay districts. These, with the sheets in connection with Toilet Tissues issued from this office on July 12th last, complete the price arrangements with regard to the territory in question.

You will also find enclosed a list of special accounts to be recognised in that area. It is understood and agreed by the distributors that ONLY those concerns mentioned therein are entitled to preferred consideration. I might add that this list is being forwarded to Messrs. Hodder & Moffitt at Winnipeg with the request that it be issued to the Prairie distributors who may be transacting business in Eastern B. C. and have requested an assurance from them that they will abide by the understanding of the Vancouver members.

The special list enclosed herewith will supersede that issued from this office in connection with Toilet Tissues on July 12th last, which is hereby cancelled.

Your co-operation in maintaining these prices in Eastern B. C. is now solicited and I would appreciate your confirmation in due course."

(PDC 5-10)

By this time J. C. Wilson had joined the P.D.C. and the arrangements in effect between the wholesale grocers and the paper distributors were established in a pattern that was to continue until the time this inquiry started.

There were downward revisions in the prices of toilet tissues in February 1941 and new resale prices were sent to the paper distributors and wholesale grocers (who, as a group, were sometimes described as the "Wholesale Paper Distributors") by John Cowan on February 19. At a C.P.D. meeting held on March 4, 1941 reference was made to these changes and the minutes say:

" . . . He (Mr. Nunn) stated Mr. Dennis and himself met Mr. Radcliffe and Mr. F. A. Scott of the Westminster Paper Co. Ltd. and the Pacific Mills Ltd. respectively, and arrived at a new list for Toilet Tissues. They also had a conference with the former with regard to M. D. Napkins. In connection with the first mentioned, he said the lists had been issued in the usual way, the data being compiled with relatively the same mark up as in the old schedules."

(Exhibit 67)

In 1941 an understanding was reached in Montreal with certain Eastern manufacturers of T.N.T. lines to the effect that the B.C. manufacturers might "write our own ticket" as to B.C. prices without fear of under-cutting by the Easterners (see page 76). Following this accord there were price increases in Western Canada.

On September 30, 1941 J. A. Young of Pacific Mills wrote to John Cowan and said:

"Herewith our new Distributor costs on Toilet, Napkins and Waxed Papers. Revisions have been made in these prices in accordance with prevailing conditions and these lists have been mailed to all distributors tonight, including the lists to the Wholesale Grocery Group. To this latter section we have mailed only the lists in which they are interested.

Similar revisions have been made in the Prairie Provinces of Manitoba, Saskatchewan and Alberta and for your information, we also enclose copy of the resale lists on toilets and napkins which have been adopted by the Distributors in that territory. It may be that when your members are considering their resales the Prairie list may be taken into account."

(PDC 37-1)

Westminster appears also to have made price changes, because Mr. Cowan's letter of October 1 to the "Wholesale Paper Distributors" reads as follows:

"Re: Toilet Tissues

Following the changes in costs to the distributors as issued by the Mills this morning, you will now find enclosed revised resale schedules in respect of the above for the Coast territory. These prices are to become effective immediately."

(NFC 7-2)

By October 3 Mr. Cowan appears to have sent out new resale prices on the other lines involved, to the Wholesale Paper Distributors and to Tees & Persse and Interlake for items in which they were interested.

There was a special meeting of the Wholesale Paper Distributors on October 6, 1941. Mill representatives present were E. M. Herb and C. T. Radcliffe of Westminster and J. A. Young of Pacific Mills. Apparently the mill representatives took the stand that they should have been consulted before the resale prices drawn up by the C.P.D. following recent increases in the selling prices of the British Columbia suppliers were put into effect. The minutes show that Mr. Herb wanted to be informed whether or not "the two Eastern Mills represented in British Columbia had been considered when making the price changes, or if they had been invited to attend the meeting". The minutes go on to say:

"The reasons for his (Mr. Herb's) stand were apparently three-fold:

- (1) The Eastern Mills operating in British Columbia should have an opportunity of considering the changes in price resales with the Council representatives.
- (2) Certain firms in Vancouver and vicinity would apparently be qualified as and be added to the list of Distributors by those Eastern Mills. In that respect he thought the departmental stores would likely be given preferred consideration and be classed as Distributors and it was possible others would also be added to the list, the personnel of which he and the Council should be informed.
- (3) The situation in the East Kootenays should be reviewed immediately. He contended that was essential as the Prairie resales, following the recent changes, had been broadcast and were substantially below the B. C. ones.

A number of angles pertaining to the foregoing were reviewed, the experiences with both the Interlake Tissue Mills Ltd. and the E. B. Eddy Co. Ltd. being the subject of discussion at certain points during the deliberations. It was pointed out the majority of the prices had been issued and it appeared little or nothing could be done but leave the matter in the hands of the Committee and the representatives of Mills, including Tees and Persse Ltd. and the Interlake Tissue Mills Ltd. to continue the work. In that respect the opinion prevailed there should be a clear understanding relative to the reaction and attitude of the Eastern Mills before disposing of the matter finally. It was ultimately decided the group would meet later in the day, if possible, Mr. Herb agreeing to represent the Local Mills.

. . . "

(Exhibit 68)

Another meeting was held on October 6. It was attended by J. W. Nunn and C. H. Dennis, who were the members of the C.P.D.'s Mills Relation Committee, E. J. Jardine of W. H. Malkin who apparently served a liaison function in the working out of arrangements between the paper distributors and the wholesale grocers, H. Reddin, the Vancouver manager for Tees & Persse, C. Meads of Tees & Persse, W. T. Poole, the Vancouver manager for Interlake, E. M. Herb of Westminster and John Cowan. The minutes include the following:

"Reference was made to the three items which were directed to the attention of the earlier meeting and on which it was desired to secure the endorsement of the Eastern Mills operating in British Columbia. The first was met by the attendance of the representatives and, after perusing the price changes already issued, their approval of those to date. The second, departmental stores, was covered by the fact that those had been recognised by the Eastern Mills for a protracted period and there had been no recent change in that regard, also the other accounts indicated by the Interlake Tissue Mills Ltd. Regarding the maintenance of prices, it was the intent that these would be controlled, provided all were given an opportunity of agreeing to the ones now in effect and any changes made from time to time. With the inclusion of the Eastern Mill representatives in subsequent discussions re price adjustments, there were reasonable grounds for hoping the intentions could be carried into effect without undue difficulty. At any rate a trial could and would be made to that end. The point was also reached that there would be no additions or changes made in the list of Distributors without due notice to all parties. In that regard Mr. Herb made the additional observation that there was no intention of putting anyone on the list, but the right was reserved to do so if circumstances warranted it. However, as already stated, notice would be given the existing Distributors before action was taken.

...
The difficulties in the way of co-relating the British Columbia and the Prairie schedules in the Cranbrook-Fernie area were the subject of a lengthy discussion, Mr. Herb making the point that one of the chief obstacles was the flagrant fact that the prices issued from the B. C. section were substantially higher than the corresponding ones on the other side."

(Exhibit 68)

Mr. Cowan wrote to Tees & Persse in Vancouver on October 7 as follows:

"As arranged at the meeting yesterday, I now have pleasure in enclosing herewith the following price lists:

1. 4 oz. Toilet Tissues
2. Manila Crepe Bathroom Tissues
3. Bleached Crepe Bathroom Tissues
4. Plain Manila Bathroom Tissues
5. Special List - Toilet Tissues

According to my records you have already been supplied with Onliwon and interfolded schedules; also those in respect of Waxed Papers and Paper Napkins.

It is understood that in accordance with the arrangement reached at the meeting a few days ago the enclosed will constitute the resale prices until further notice."

(PDC 43-12)

A similar letter was sent to Interlake's Vancouver branch on the same day.

When on October 17, 1941 Mr. Cowan sent further resale price lists to Tees & Persse, Vancouver, he said:

"Re: Eastern B. C. Territory

You will now find attached price lists in duplicate covering the East and West Kootenay Districts in respect of Paper Napkins, Toilet Tissues and Waxed Papers. These are being issued to the Wholesale Paper Distributors today and the jobbers in that area are also being notified of the prevailing schedules.

It is the understanding of the local division that your company are prepared to adopt the price structure as set out in the enclosures and I shall be glad if you will kindly forward the second copy to your Calgary branch soliciting their co-operation in respect of any sales made by them in the Eastern British Columbia territory."

(PDC 43-13)

Because of the introduction of wartime price controls, price increases which were made on the resale price lists sent out on October 17 had to be withdrawn and decision to this effect was taken at the C.P.D. meeting of December 10.

The examples already given in this chapter form only a very small part of the documentary evidence, for the period covered, with direct relation to price fixing arrangements. Throughout the period 1935 to 1941 regular meetings of the C.P.D. were held at which many matters of detail which may not, individually, have been of much importance were decided. In the aggregate, these decisions were of considerable importance in supporting the principal arrangements.

There is no indication in the evidence that the C.P.D. ever drew up formally a series of "rules and regulations" of its own as required in the Rules and Regulations of the P.D.C. It seems that in fact such of the decisions as were made at the C.P.D.'s meetings and

which at any particular time were still in effect were the rules and regulations under which it, as a division within the P.D.C. and subject to the Rules and Regulations of the latter, operated.

A considerable amount of the documentary evidence had reference to activities of the paper distributors and wholesale grocers during the period when maximum selling prices were limited by wartime controls. For some products and for some time these maximum prices were the prices set in early October 1941, and with reference to which some information has already been given. During the price control period, the C.P.D. continued to hold meetings and activities directed toward the maintenance of a common selling structure were continued. Thus, a minute from those for a C.P.D. meeting of February 9, 1943 makes reference to the way arrangements between the C.P.D. members and the wholesale grocers were being handled at that time:

" . . . the Secretary read a letter from Mr. J. W. Robinson of Messrs. Kelly, Douglas & Co. Ltd., dated February 1st, 1943, in which the writer referred to the fact that the Wholesale Grocers were perhaps in error when they agreed to an Executive Committee of two Members, both representatives of the Paper Distributors. In that regard the Secretary was instructed to reply, pointing out that in accordance with the decision previously reached, Mr. E. J. Jardine of The W. H. Malkin Co. Ltd. had been consulted in all matters where the interests of the Wholesale Paper Distributors were concerned."

(Exhibit 68)

The paper distributors who did not have branches in cities in British Columbia, other than Vancouver or Victoria, were sometimes at a disadvantage as compared to wholesale grocers who did have such branches. This arose from the fact that when the paper manufacturer sold the product f.o.b. Vancouver, Victoria or New Westminster, the wholesale grocer could take delivery at one or another of these places and then include it in carload shipments being made to a branch in some other city or town. On sales of less than carload lots the paper distributor without branches would be required to pay the higher l.c.l. freight rates. It therefore resulted that if a wholesale grocer with a branch in, for example, Kamloops accepted a comparatively small order from a Kamloops buyer at the regular Vancouver selling price plus actual cost of freight, his effective selling price would be lower than that quoted by the paper distributor who did not have a branch there. To meet this situation the paper distributors established a set of freight allowances by the use of which their prices would be equalized with those being charged by the wholesale grocers at outside branch points. In the result, the common price structure was preserved, although this was done with some lessening of the paper distributors' gross profits in comparison with those available to the wholesale grocers with outside branches.

Generally speaking, maximum selling prices on coarse papers remained under control throughout 1946. However, price controls on paper towels were removed in July of that year. A memorandum written by E. M. Herb of Westminster to C. T. Radcliffe, Westminster's sales manager, on November 19, 1946 states:

"In my telephone conversation with Harry Pim (Vice President, Pacific Mills) yesterday he also advised having received copy of the list of the eastern Towel manufacturers as submitted to us under date of Nov. 14th by Ivan Moffitt. This communication is attached hereto.

I still feel that we should not be guided by the easterners in the matter of setting Towels, particularly in the west. If they wish to increase their Towel prices by 10% in eastern Canada, this is satisfactory, but if we wish to go beyond 10%, this is our affair. As we have already done this I see no reason why we shouldn't stay with the last quotation that we have made.

Relative to setting prices for the west, I told Mr. Pim that I believe that Pacific and Westminster should get together, straighten out their own affairs, set their own prices, and then advise the easterners exactly what they have done. This would be a very simple procedure by simply mailing the eastern manufacturers our price list. I am quite convinced that they would respect same, and if they didn't I don't believe we would have much to worry about in any event. On the other hand, if they did bother our western structure, I believe that by advising them that we would do likewise in the east, that we would very quickly bring the matter to a head.

. . ."

(Exhibit 127)

On December 11, 1946 Mr. Cowan sent the wholesale paper distributors, Pacific Mills, Westminster, Interlake and Tees & Persse copies of the resale "price lists for the Coast territory" for paper towels (PDC 37-6) and on December 27 he wrote Westminster and gave it the names of six companies which were those "special accounts which enjoy the 10% discount from the 10 case price" (WES 93-1).

Correspondence exchanged between Tees and Persse offices in Vancouver and Winnipeg at this time indicates that prices on Eddy towels were to be increased "to conform with new Prairie and British Columbia schedules" (TPV 6-5).

Price controls on paper bags and toilet tissues, as finished products, were removed in January 1947. A letter dated January 16, 1947 was sent from Mr. Cowan's office to Tees & Persse, Vancouver, with a copy to Bartram. It said:

"Re Bags

For your information you will find enclosed copies of amended price lists, in triplicate, in connection with the above, which are being issued to the Distributors today."

(PDC 43-17)

It was arranged that there should be a meeting of the C.P.D. on January 20, with mill representatives present, for the discussion of resale prices on toilet tissues (VAN 21-3). On January 25, 1947 resale price lists on these were sent out of Mr. Cowan's office to the paper distributors (PML 59-6).

In order for price uniformity to be maintained at places outside Vancouver at or near which one or more of the direct buyers from the P.C. manufacturers had branches, it was necessary to have a common policy with respect to freight charges. Such a policy among the members of the C.P.D. has already been referred to. At a meeting of the C.P.D. on January 7, 1947 a discussion of the matter arose apparently because of an increase that had recently taken place in freight rates to Vancouver Island. At the C.P.D. meeting of January 24, 1947 the matter received further attention and a memorandum prepared by J. R. E. McLaren of the Executive Committee was adopted after slight modification. This memorandum is quoted in part:

"It was resolved and agreed that all Paper Distributors would invoice Toilet Paper and Towels to the following points:

Alberni,
Kamloops, Vernon, Kelowna, Penticton,
Rossland, Trail, Nelson, Cranbrook, Fernie,
Prince George, Quesnel

at Vancouver price less freight allowance for the difference between carload and L.C.L. freight rates. Napkins would be invoiced at Vancouver price, freight collect, with no freight allowance.

In the case of Members having branches at other points, they agree to comply with this procedure by invoicing Toilet Paper and Towels to the points named above at Vancouver price plus carload freight, and in the case of Napkins at Vancouver price plus L.C.L. freight.

For the guidance of our members, and to insure uniform charges, freight rates on all items to all points referred to above are given in the schedule below.

Prince Rupert will be sold at the F.O.B. Vancouver price, shipments being made freight collect with no freight allowance. Where houses have branches at this point they will invoice at Vancouver price plus freight of .70 C lbs.

SCHEDULE OF FREIGHT RATES
on
TOILET TISSUE, PAPER TOWELS AND PAPER NAPKINS

	Napkins	Toilet Tissue Towels	Carload	Difference between L.C.L. & Carload on Toilet Tissue & Towels
	<u>L.C.L. 2nd</u>	<u>L.C.L. 3rd</u>	<u>5th</u>	<u>Towels</u>
Alberni	.77	.62	.42	.20 C lbs.

. . ."

(Exhibit 70)

On April 2, 1947, all or virtually all coarse papers still under price control were decontrolled. It appears to have been the policy of Pacific Mills to name the distributors' resale price on kraft wrapping papers sold in carload lots. On April 10, 1947, after a meeting attended by Mr. Scott and Mr. Pim of Pacific Mills and certain of the coarse paper distributors, Mr. Scott wrote to Columbia Paper:

"This will confirm our discussion today in which we advised that new prices were in effect on Wrapping Papers. Copies of the list are attached showing your new cost and the new resale price to carlot consumers. The list of accounts qualifying for this carlot price will, of course, be settled at a later date.

. . ."

(CCL 12-1)

A meeting of the C.P.D. was held on April 11, 1947 to discuss changes in respect of wrapping papers and bags. The minutes say:

"The Chairman intimated that Wrapping Paper and Bags had now been released from Government control and accordingly the meeting had been called in order to discuss the present position and the suggestion of any amendments re Wrapping Paper prices.

The resales proposed by Pacific Mills Ltd. were discussed at length. It was finally arranged that -

1. The 5000 lb. price should be eliminated.
2. The prices should be on the basis of weight instead of rolls or reams and classified as follows:

Under 200 lbs.
200 - 499 lbs.
500 to 1999 lbs.
2000 lbs. and up

For the purpose of estimating weight, it was understood that Kraft would be on the basis of $1\frac{1}{2}$ lbs. per inch and Butchers Manila 2 lbs. per inch.

3. Kraft and Manila only could be combined to qualify for quantity price

It was agreed that the prices on the basis outlined should be issued as soon as possible, together with a sheet showing carlot buyers as follows:

Burns & Co. Ltd.	Hudson's Bay Company
Canada Packers Ltd.	Swift Canadian Co. Ltd.
David Spencer Ltd.	Woodward Stores Ltd.
Canadian Fishing Co. Ltd.	

It was also stated that a new schedule covering Grocery Bags would become effective on April 21st, 1947. In that connection the Executive Committee undertook to furnish those to the Secretary on or about April 16th to facilitate the timely distribution amongst the Distributors."

(Exhibit 70)

As has been mentioned before, Pacific Mills commenced the manufacture of bags in 1947. Apparently for some years Pacific Mills had been considering going into this branch of the coarse paper business and in 1943 had been negotiating to buy a share, or all, of the Bartram business. These negotiations fell through but not before some consideration had been given to the position Bartram might be in should it remain independent and should Pacific Mills, its chief supplier of bag paper, go into the bag business. A meeting held on September 5, 1945 was attended by F. B. Cooper, president of Pacific Mills, J. A. Young and H. C. Pim, vice-presidents of the same company, and Arthur Bartram, president of Bartram Paper Products. Mr. Cooper's memorandum of the meeting included the following:

"It was agreed by all concerned, including Mr. Bartram, that there appeared to be no basis on which Pacific Mills could purchase a share of all of the Bartram Paper Company's Kraft Bag operation.

Mr. Bartram advised that he did not wish to sell and that he was perfectly satisfied with Pacific Mills coming into the Bag Converting field as long as Pacific agreed to protect the Bartram Paper Company as far as paper supply was concerned, with an agreement in connection with the selling price of bags in British Columbia . . ."

(Exhibit 151)

Bartram and Pacific Mills did enter into a contract covering Bartram's total requirements of kraft bag papers for domestic sales which contained provisions for many contingencies including, if necessary, the adjustment of paper prices at six month intervals, the automatic renewal of the contract and its termination not less than two years after notice of intention to terminate it should be given by one of the parties. In addition, Pacific Mills bought four bag machines from Bartram (Record, p. 700).

On April 12, 1947, at about which time price changes, generally involving price increases, were being made in respect of other coarse paper products, Pacific Mills sent its distributors new cost prices for S.O.S. kraft grocery bags, and in its covering letter said:

" . . .

You will note that these prices are at a lower level than those previously in effect, and the percentage reductions are 12.01% on light and medium kraft, and 16.4% on heavy kraft.

. . ."

(PML 20-13)

That the level of prices on bags in British Columbia had been considered by Pacific Mills before it opened its bag plant is indicated by the following comment by Mr. Pim in a memorandum to Mr. Cooper, dated September 17, 1945:

"Another point to be mentioned is that of bag prices in B.C. I believe Bartrams present list cannot and should not continue in effect, the price here should be more in line with the Eastern line i.e. much the same policy as we follow on wrapping. The present list is like holding an umbrella for anyone who wants to dump in B.C. . . ."

(Exhibit 152)

Mr. Pim gave evidence on this:

"Q. . . . What do you mean by that? Was Bartram priced much higher than eastern prices?

A. Yes.

Q. And did you feel they were unreasonably high?

A. Or the other way around, that the others were low. But our policy, generally speaking, has been to use our best endeavours to sell similar goods here in British Columbia at the same cost, or roughly so, as the cost to similar buyers in Toronto and Montreal, the Toronto-Montreal area. We adopt that policy on wrapping and other lines that we had been making, and thought it was untenable that a schedule with higher prices here should be maintained. And in fact, it was not maintained."

(Record, p. 698)

Mr. Pim also gave evidence on what happened when Pacific Mills decreased its bag prices in April 1947:

"Q. And did that mean anything to the Bartram Paper Company?

A. Well, of course, it meant he would have to meet our price, - which he did. He would take a lesser return.

Q. And you say he did meet your price?

A. Oh, he must have. He stayed in business and must have met it."

(Record, p. 1448)

After this somewhat basic adjustment was made, the pricing policies of Bartram and Pacific Mills on S.O.S. kraft grocery bags settled into an established pattern. Bartram and Pacific Mills made simultaneous and similar price increases on bags on January 1, 1948 which was the effective date of an increase in Pacific Mills' prices on the bag papers which it sold to Bartram. Pacific Mills' intention to increase its bag paper prices on January 1, 1948 was brought to Bartram's attention before it became effective and there was consultation between Pacific Mills and Bartram officials as to what changes in bag prices should result.

In the spring of 1947 price changes took place on a considerable number of coarse paper lines, in addition to those already referred to. A considerable number of price sheets covering such changes in respect of the T.N.T. lines and wax paper lines were sent out to the interested parties by the secretary of the P.D.C. about May 22, 1947.

Although the tenor of the last mentioned communications does not indicate whether the prices being disseminated were named by the manufacturers or by the P.D.C., other evidence does indicate that by this time Westminster was naming resale prices on its own lines. As has already been stated, it is impossible to say with exactness how far such a practice was carried on by the three different B.C. manufacturers over the complete period of the inquiry. It will be apparent to the reader that the documents so far quoted indicate considerable participation by the coarse paper distributors in the determination of their resale prices and that on frequent occasions the determination of such resales was left to the coarse paper distributors although the manufacturers were not indifferent to the result. From time to time up until 1947 Westminster seems to have suggested resale prices on its main lines and from time to time to have left resales to the P.D.C. From 1947 on, the suggesting of resale prices by Westminster seems to have been the rule. In the case of Pacific Mills, the naming of resale prices appears, generally speaking, to have been restricted, until 1949, to the cases of certain quantity buyers. Late in 1949 Pacific Mills, at the request of certain distributors, reversed its policy of not setting resale prices. Bartram appears, throughout most of the period covered by the inquiry, to have pursued a like policy to Pacific Mills, but in 1950 it appears to have gone over to a policy of naming or suggesting resale prices generally. Even when the resale prices were named or suggested by the manufacturers the enforcement thereof appears to have depended largely upon the members of the C.P.D. although the manufacturers were ready to come to their assistance upon occasion when the interests of the manufacturers were or seemed likely to be adversely affected by deviations. When resale prices were suggested by the manufacturers they were not necessarily accepted without change by the distributors.

"Special Lists", which were lists of names of accounts to which special prices would be given, were apparently a problem throughout the period 1935 to 1950. By 1947 there were several different arrangements in effect under which individual grocery retailers had organized or subscribed to schemes under which they got some of the benefits of mass buying power. By 1947 more than one of these chains was supplied by one or another of the wholesale grocers who bought direct from the B.C. manufacturers and the members of such chains received "special list" recognition. Because such a chain often covered a large number of retail outlets, the actual "special lists" were sometimes cumbersome. In addition, the name of a particular firm did not always appear on all of the various special lists covering the different product classifications. At a C.P.D. meeting held on September 9, 1947 a report was given by a committee that had been looking into the special list problem to see whether consolidation of the lists was possible "so that a concern entitled to any concession would receive it with regard to all lines purchased" (Exhibit 70). The committee was unable to find any "common ground on which to base any alterations or amendments in the present

schedule". The special list matter was again reviewed at a special meeting of the C.P.D. on September 16, 1947. The minutes say:

"Special List - The Chairman then stated the meeting had been called for the purpose of considering the Special List. After prolonged discussion with regard to several of the particular firms included and various angles of the situation pertaining to the existing arrangements, it was ultimately decided on motion regularly moved, seconded and carried, with Mr. G. T. Smith abstaining from voting, that the Special List should remain unaltered, except that the Associated Merchants of B.C. Ltd. should be added as a chain store group."

(Exhibit 70)

At a meeting held on April 1, 1947 the members had decided not to give stores affiliated with the Associated Merchants of B.C. special list prices (Exhibit 70). There was no substantial change in the special list system between September 1947 and the time this inquiry started.

In early October 1947 Westminster put out new distributors cost prices on various T.N.T. items and at the same time issued a new set of resale prices under date of October 6. Under date of October 9, Pacific Mills made some changes in its toilet tissue and napkin prices to distributors. Immediately after these price changes were made, some of the similar products of Westminster and Pacific Mills were being sold to their distributors at different prices, with the Westminster prices being the higher, and were in turn being resold at different prices and in varying degrees this situation continued for some months. A letter sent out by John Cowan on October 16, 1947 to the members of the C.P.D. points up the situation as it then was:

"Attached you will find revised prices covering the recent alterations in schedules made by Pacific Mills Ltd.

In that connection, please note that the sheet issued from this office under date of October 6th, 1947, covering Westminster Paper Co. lines only is still in effect."

(SDW 25-6)

When in 1948 the prices of Westminster and Pacific Mills came together on certain T.N.T. lines, this was done at least in part, by Westminster reducing its prices to those being charged by Pacific Mills. This appears to have been due to a noticeable drop in Westminster's sales in British Columbia of the items in question. There is a considerable history in the evidence of price discussions, price arrangements and price uniformity between Westminster and Pacific Mills up until 1947 but the evidence does not establish that price uniformity, when it occurred subsequent to 1947, followed on discussions between them.

Beginning in 1947 certain changes were made in the direction of more advantageous prices to certain quantity buyers and lower distributor margins in respect of such sales. On March 28, 1947 H. C. Pim of Pacific Mills wrote to C. L. Barker of Hudson Paper Co. Ltd., Winnipeg, a Pacific Mills' subsidiary which was engaged in the wholesale paper business, and said:

" . . .

. . . we intend to inaugurate a new schedule here in B.C. on carload business, recognizing the distributors as being in the category of mill agents. On this business we do not propose to allow a margin greater than 5%. We could, of course, quite conveniently handle this business directly with the buyers, but we have no wish to eliminate distributors from the picture.

. . ."

(PML 26-7)

Pacific Mills under date of April 10, 1947 issued to its distributors a price list which set out, for wrapping papers, "Carlot Consumers Cost" which was available to accounts "qualified as Carlot Consumers" on purchases of not less than 15 tons. The distributor's margin was approximately 5 per cent on cost. Under previous lists he had taken about 10 per cent on the nearest corresponding sale. Under the new schedule the paper was shipped direct from the mill to the consumer but the distributor was billed by the mill and collected from the customer.

Pressure from one or more of the large Vancouver department stores resulted in a further modification, the character of which is indicated in part in the following letter of August 26, 1947 from E. M. Herb of Westminster to C. T. Radcliffe:

"While you have been away there has been considerable fireworks over the Woodward's account.

Harry Pim has now made a firm deal with them whereby he is going to sell them all their wrapping paper requirements at exactly the same price he is presently charging the distributors. He is not selling them on a direct basis, however, he is going to put this business through one distributor, designated by Woodward's, and allow the distributor in question a 5% margin on the business.

Of course this points to just one thing -- direct selling.

Harry refused to make any decisions as regards T.N.T. items or bags, as he claims that these should strictly be

made by Bartram and ourselves. For our part, I am definitely against selling Woodward's on a direct basis. I would agree to seeing them put on a special basis comparable with Eatons in the prairies, but in all cases, they will have to be sold through our distributors.

If we are going to make special provision for Woodward's, we would have to do the same thing for Eatons and many other accounts and I don't see how we could avoid following suit for such chain stores as Jewell Stores, Ray's Superior Stores, etc.

We are not booked up to sell direct; we are not interested in selling direct; and when Woodward's do approach us, I am going to have to give them a flat decision of NO with the proviso that we will consider a special category similar to what we are offering Eatons through Mid West Paper Sales.

. . ."

(WES 77-7)

On August 22, 1947 Pacific Mills introduced a policy under which buyers who were classified as consumers of over 150 tons of wrapping paper a year could buy wrapping papers, in not less than 15 ton carlots, at the same price as the company was charging to its B.C. distributors. Such sales were to be made through one or another of the distributors who was to be allowed a discount of 5 per cent. At the same time Pacific Mills named a resale price to apply on sales of minimum carlots of 15 tons to buyers classified as being consumers of less than 150 tons but more than 50 tons per year. These prices were approximately 5 per cent higher than the prices to the 150 tons or over consumers.

There was a special meeting of the C.P.D. on November 25, 1947 which, besides being attended by representatives of six out of the seven members which the division had at this time, was also attended by Orville Cook, sales manager of Bartram Paper Products and Frank Scott, domestic sales manager for Pacific Mills. The minutes include the following:

"Re: Bags:

It was pointed out the meeting had been called for the purpose of discussing jointly with the Mills the situation with respect to Bags.

Grocery Bags:

Several salient features were reviewed, after which it was finally agreed to place the three Department Stores, namely Hudson's Bay Co., David Spencer Ltd. and Woodward Stores Ltd., on the special list with respect to Grocery Bag purchases, the basis being briefly as follows:

- (a) Direct shipments from the Mill, the price to be the 25M price, less 5%.
- (b) Deliveries out of stock to be at the 25M price.
- (c) Minimum deliveries to be 100 Mill bundles.
- (d) Effective December 1st, purchases to be invoiced to buyers direct and not through an intermediary."

(Exhibit 70)

On the same day, November 25, Mr. Scott wrote the following memorandum to H. C. Pim, vice-president of Pacific Mills:

"Bag Price Schedule - B.C.

We have this morning made arrangements with our paper distributors that Messrs. Hudson Bay Co. Limited, David Spencer Limited and Woodward Stores Limited may purchase at a 5% discount due to the quantities they buy.

The arrangement being set up is that these three customers ordering in 100 bundle lots for direct mill shipment will receive 5% discount from the face of the invoice by the jobber. There is no difference in our realization on this business, the 5% being absorbed by the distributor."

(PML 20-2)

At this time neither Pacific Mills nor Bartram was naming resale prices on grocery bags. The prices to which the discounts and other conditions of sale would apply were the prices that had been established by the C.P.D.

Whereas the changes above mentioned with respect to large buyers of bags appear to have been put into effect with comparatively little discussion between the manufacturer most concerned and the distributors, there was a good deal of negotiation before final arrangements on "resale items" made by Westminster were perfected. Here again, the problem was one of sales to large buyers and the desire of the manufacturer to have the distributors' resale prices to such "special volume buyers" brought down by effecting a reduction in the distributors' margins. The new margin rate for such sales, as suggested by C. T. Radcliffe of Westminster in a discussion with the secretary of the C.P.D. on December 31, 1947 was 7½ per cent. The results of this discussion were reported to a C.P.D. meeting on January 6, 1948 and it was decided "to leave the matter with the Executive Committee to contact the Westminster Paper Co. Ltd., ascertain the exact status and then institute the initial steps towards formulating the Council's policy with regard to the change" (Exhibit 71).

By the time another special meeting of the C.P.D. was held on April 15, 1948 there had been further discussions. A long proposal, which was put before the meeting and is quoted below, had been drawn up after discussion between C. T. Radcliffe and the C.P.D.'s Executive Committee:

"PROPOSED NEW SETUP ON RESALE ITEMS MADE BY
WESTMINSTER PAPER COMPANY LIMITED

- A) One case, five case, and ten case price, now in effect, to remain as they are on Toilet Tissues, Hand-E-Wrap, Jiffy Towels and Nook Naps. In the case of Nook Naps a new one, five and ten case price will be put into effect instead of the present case price, with 10% discount to special accounts. In the case of Household Towels we have a one case, three case, and five case price. This should now be changed to a one case, five case, and ten case price.
- B) Any customer to be allowed to assort any of the above named items in order to make up five or ten case lots, it being strictly understood that this privilege is confined only to what are known as the resale items before named.
- C) The Special List to be revised and reduced to the following:
- | | |
|---------------------------------|----------------------|
| S. S. Kresge Co. Ltd. | |
| F. W. Woolworth Co. Ltd. | |
| Metropolitan Stores Ltd. | |
| Burnyeats B. C. Ltd. | |
| Dustbane Products Ltd. | |
| Kirkland & Rose | |
| Clarke & Stuart Co. Ltd. | |
| D. R. Butt | - Kelowna & Kamloops |
| Ryan & Co. | - Nanaimo |
| Gray Bros. | - " |
| Pentiction Purity Products Ltd. | - Pentiction |
| A. Fleming | - Vernon |
| E. B. Smith | - Vanderhoof |
| Westminster Supply Co. Ltd. | - New Westminster |
- D) A carload price to be established for sales to Hudson's Bay Company, Woodwards, Spencers, and T. Eaton Company. The carload must consist of a minimum of five hundred cases of the assorted products, and will require to be shipped direct from the mill. The prices suggested are as follows:

Purex Toilet Tissue	- \$ 8.40 per case
Westminster Toilet Tissue	- 6.15 "
Nook Naps 48s	-- 5.80 "
Jiffy Towels	-- 4.10 "
Hand-E-Wrap	-- 5.00 "

Sales Tax Included - F.O.B. Vancouver

(These prices show a gross profit of approximately 7.9% on our Selling Price, or 8.5% on our cost).

E) With regard to Grocery Bags and Wrapping Paper, (the latter including Kraft, Butcher Papers, Waxed Kraft, and Waxed Sulphite,) it is felt that these should be left on a strictly quantity basis and that no special price, outside of the quantity price, should be given to retail stores. The special list, entitled to the one ton price in any quantity, would probably be the same as the list for the Toilet Tissue items."

(Exhibit 71)

At the C.P.D. meeting of April 15 approval was given to sections A and B of the above proposal. It was decided to eliminate the special list entirely and to adopt the suggestion contained in section E covering "Grocery Bags and Wrapping Paper". With respect to section D "it was believed the suggested arrangement would be satisfactory". It was pointed out that Pacific Mills had not yet discussed the plans. The minutes of the meeting close as follows insofar as this part of the business is concerned:

"Accordingly, the matter was left with the Executive Committee on the footing they would communicate with Pacific Mills Ltd. and advise the Secretary of the result as soon as possible. After that a meeting would be convened with the other direct buyers, namely The W. H. Malkin Co. Ltd. and Vancouver Supply Co. Ltd. to obtain their co-operation in establishing the new arrangement. In the meantime it was thoroughly understood no change would be made in the existing regulations."

(Exhibit 71)

At another special meeting of the C.P.D. which was held on April 20, 1948, J. R. E. McLaren of Smith, Davidson & Wright and a member of the Executive Committee reported on the meeting of the committee with Pacific Mills. The minutes of this meeting include the following:

"Mr. McLaren stated the principal point was the arrangement to be effected with regard to Department Stores and while the Manufacturers were agreeable to the suggested prices, they took exception to the method of publishing the schedule in question. They proposed as an alternative that the basis already in existence on the Prairie and in Eastern Canada be now used in British Columbia. That is, certain accounts purchasing a stipulated amount (either in dollars or volume) during the previous year would be entitled to qualify for a price concession, the shipments being made direct from the Mill to the buyers. Mr. McLaren advised that the Mill was not interested in the actual amount stipulated, leaving that phase entirely to the discretion of the Distributors."

(Exhibit 71)

The minutes go on to show that after deciding that qualification for the proposed price concessions (referred to in section D of the proposal) should "be fixed at 4000 cases per year of assorted Mill lines, purchased for resale to the public, to be delivered to one store and that in Vancouver only", the members agreed on some matters of detail and also "agreed that the Executive Committee would immediately revise the price lists covering the items in question and as soon as they were ready for publication by the Secretary's office, the Coarse Paper Division would meet with The W. H. Malkin Co. Ltd. and the Vancouver Supply Co. Ltd., when those concerns would be advised of the change in the arrangements and furnished with the amended schedules, the new basis becoming effective on and from May 1st, 1948" (Exhibit 71). There were a number of other meetings and conferences before the new plan finally went into effect on May 20. By then, Westminster had changed its position and had refused to take part in the arrangement on a direct mill shipment basis; and, because of a stand taken by W. H. Malkin, the special lists were not abolished. Certain buyers were however recognized as "4000 case buyers" without any formal check being made to ascertain that their annual purchases ran to that quantity and prices on a number of the products of Pacific Mills and Westminster, which should apply on sales to these buyers, had been settled between the members of the C.P.D. and the manufacturer concerned.

At a C.P.D. meeting held on June 1, 1948 J. R. E. McLaren undertook to prepare a memorandum which was sent to Mr. Cowan by Mr. McLaren on June 14 and a copy was inserted in the C.P.D. minute book under the following heading:

"Memo. re Special Meetings referred to in the Minutes of the Regular Meeting of the Coarse Paper Division held on June 1st, 1948."

The memorandum said:

"With regard to the proposed changes on prices of Toilet Paper, Napkins, Household Towels, and Household Waxed Paper to Department Stores, after meetings with representatives of Westminster Paper Company Limited, we were definitely informed by them that they would not consider shipping direct to the Department Stores. The representatives of Pacific Mills, from their standpoint, would not agree to any stated quantity for a minimum shipment.

The result of these decisions on the part of the mills led to the members of the Coarse Paper Division finally deciding that the quantity buyers who have been purchasing 4000 cases or more annually of the assorted products for resale to the public, would be entitled to the special price irrespective of the size of the order, and that delivery would be made from the wholesalers stock. The three firms qualifying to date being Hudson's Bay Company, David Spencer Limited, and Woodward Stores Limited.

On the matter of prices to the retail stores in general it was decided:

1) That the special list, as previously existing, would remain. This was due to the fact that W. H. Malkin Limited made it very clear that they did not propose working with the members towards elimination of the special list.

2) It was decided to give the ten case price in any quantity to all buyers on 6 oz. and 8 oz. Toilet Tissue.

3) The assorting privilege, allowing customers to assort any types of Toilet Tissue, Household Towels, Household Boxed, Waxed Paper, and Napkins Boxed 70s, was to be allowed in making up quantities for the five case and ten case prices."

(Exhibit 71)

The C.P.D.'s resale price sheet embodying the change in practice insofar as the three department stores is concerned was put out under the date of May 20, 1948 and was "effective at once". It read:

"Buyers who have been purchasing 4000 cases or more annually of the assorted products named below for resale to the public, are to be entitled to the special prices listed hereunder. The following qualify for these prices:

Hudson's Bay Company
David Spencer Ltd.
Woodward Stores Ltd.

Linentex Toilet Tissue	\$ 11.45	per case
Purex Toilet Tissue	8.40	"
Westminster Toilet Tissue	6.15	"
Big 6 Toilet Tissue	5.55	"
Domestic Toilet Tissue	6.50	"
Nook Naps 48's	5.80	"
Milady Napkins 48's	5.60	"
Jiffy Towels 32's	4.10	"
Kitchenette Towels 48's	6.00	"
Hand-E-Wrap or Kitchenette Wax 24's	5.00	"

8% Sales Tax Included

F.O.B. Vancouver or Victoria Dock"

(Exhibit 165)

Both Pacific Mills and Westminster Paper items are included in the products listed.

As was the general thing, the various wholesalers who sold the products of the B.C. manufacturers were furnished with information as to the resale prices to be observed. Thus the above sheet and a number of others were sent by Mr. Cowan on May 25, 1948 to Collison Paper, W. H. Malkin and Vancouver Supply along with a covering letter which said:

"Enclosed herewith you will find revised price lists, dated May 20th, 1948, in connection with the following:

1. Department Store Buyers
2. Bleached White Tissue
3. Green Florist Wax Tissue
4. Westminster Paper Co. prices on
 T. N. T. lines
5. Dispenser Napkins - Pacific
6. Embossed Napkins
7. Paper Napkins
8. Bathroom Tissues
9. Domestic Toilet Tissues
10. Interfolded Toilet Paper
11. Jiffy and Kitchenette Household Towels
12. Tray Cloths
13. Waxed Papers
14. " " - in Rolls
15. " " - in Sheets"

(PDC 1-258)

It seems clear that the arrangement covering "4000 case buyers" involved agreement by both Westminster and Pacific Mills and incorporated a number of compromises resulting from the stand taken by individual firms on particular phases. To take Westminster's Purex brand of toilet tissue as an illustration of the incidence of the arrangement, the lowest distributor's resale price prior to May 20, 1948 was \$9 per case, which it continued to be except for the 4000 case buyers, to whom it became \$8.40 per case which, on a cost price of \$7.74 reduced the distributor's margin to 7.9 per cent on sales.

On July 2, 1948 Bartram wrote to the P.D.C. and told of an increase in bag prices:

"We are attaching price sheets covering increased prices on Grocery Bags, effective Wednesday morning, July 7th.

It is with regret we announce further increase in this commodity, but we want to point out that this is due entirely to an increased cost on Kraft to us, which became effective July 1st.

The increase is approximately 5 and $2\frac{1}{8}\%$, and only takes care of the additional cost of our raw material."

(PDC 1-286)

On July 6 Mr. Cowan sent out the following letter to Pacific Mills covering resale prices:

"Re: Grocery Bags

Enclosed herewith for your information you will find revised schedules in connection with Light, Medium and Heavy Kraft Grocery Bags."

(PML 1-1)

A similar letter was sent to Bartram by Mr. Cowan (Exhibit 200). Pacific Mills also advanced its prices on grocery bags with effective date of July 7.

On July 13, 1948 C. T. Radcliffe, sales manager for Westminster, wrote to John Cowan:

"Attached herewith is copy of letter we have sent to our distributors advising them a reduction on certain of our lines. Also suggested resales.

We have made these effective July 19th so as to provide time to send these schedules out."

(PDC 1-308B)

The price changes that were made had the effect of bringing the distributors' cost price on three toilet paper lines and two napkin lines, on which Westminster had been higher since October 1947, down to the level being charged by Pacific Mills.

On July 15 Mr. McLaren gave Mr. Cowan revised price sheets "for immediate issuance" with effective date of July 19. On July 16 Mr. Cowan wrote to Mr. Radcliffe:

"With further reference to my letter of July 14th last, have to advise that I was given directions to issue the resale schedules by the Executive Committee this morning. Accordingly the revised lists have been issued to Members so that you can take it the changes are effective on and from the 19th inst."

(PDC 1-308)

With effective date of October 20, 1948, Westminster Paper put out a resale price list on its products which set out prices on "Purex" Facial Tissue at \$6.40 for 1 case sales and \$6.00 for sales of three cases or more (WES 10-2). Mr. McLaren wrote to Mr. Cowan on October 19:

"Westminster Paper Company Limited have suggested new resales on Purex Facial Tissue, a one case price of \$6.40, and a three case price of \$6.00.

The Executive Committee have discussed this suggestion and are not in favour of accepting this resale. We make an alternative recommendation that the following price schedule be adopted:

1 case	6.40 per case
5 cases	6.20 " "
10 cases	6.00 " "

This price setup will enable us to work these prices in with other Westminster commodities which are set up on a one, five and ten case schedule.

In addition to this we would like it drawn to the attention of the Westminster Paper Company that our sales tax allowance is not 7.4% but 5.5%.

Would you please take these matters up with Westminster Paper Company on behalf of the Council."

(Exhibit 104)

The minutes of a C.P.D. meeting held on November 2, 1948 refer to this matter:

"Purex Facial Tissue - Notice was directed to the recent recommendations re quantities. As that related to one and three cases instead of one, five and ten as in other Purex commodities, representations were made to the manufacturers by the Executive Committee towards securing an amendment. It appeared Mr. Matheson of the Westminster Paper Co. Ltd. had stated the Mills did not favour the recommendations, contending it was necessary to have one and three case price to compete with Kleenex and other brands. In view of the divergent ideas, it was decided to defer putting the change into effect until there had been another opportunity of discussing the matter with the Mill representatives."

(Exhibit 71)

The problem had not been finally settled by December 7, 1948 when there was another C.P.D. meeting, the minutes of which include the following:

"Purex Facial Tissue - It was intimated further overtures had been made to the representatives of the manufacturers but they were adamant in maintaining their former stand, the resale prices should be on a one and three case basis. After a short examination of the underlying circumstances, it was agreed the Executive should take under advisement issuing the following prices through the Council:

1 case	\$6.40	
5 cases	6.20	
10 "	6.00	"

(Exhibit 71)

The distributors did not give way to Westminster Paper as the minutes of the C.P.D. meeting of January 11, 1949 show:

"Purex Facial Tissue - In the matter of the prices fixed on December 7th last, the Executive Committee promised to have these issued forthwith."

(Exhibit 71)

Apparently Westminster Paper changed the trade name of its facial tissue from "Purex" to "Charm" at about this time. A resale price sheet setting out resale prices on "Charm" facial tissue was put out by Mr. Cowan's office under date of January 14, 1949. The prices given on this sheet were the same as those set out in Mr. McLaren's letter of October 19, 1948 quoted above (PDC 4-12).

The various illustrations given here of arrangements and agreements do not give a complete picture of the proceedings of meetings of the C.P.D. It was the practice to bring up for discussion any item that needed consideration insofar as the operations of the group were concerned. Thus the regular meetings ordinarily dealt with a number of topics, and the details of the various arrangements or in other words, the rules and regulations of the C.P.D., changed quite frequently. One of the problems which was often given consideration was the matter of which buyers should get the benefit of the various special price categories, including that of the 4000 case buyers. At the C.P.D. meeting held on November 2, 1948 consideration was given to the classification of two buyers insofar as special price privileges were concerned. The minutes include the following:

"Zellers (B.C.) Ltd. - Application for placing that account on the 'preferred list' was discussed when it was agreed to take no immediate action.

Robert Simpson Co., Ltd. - Price Basis - With regard to the recommendation that they be placed on the carload price list, that was accepted as being in order, directions being given to the Secretary that they should be on the same schedule as departmental stores, including wrapping paper."

(Exhibit 71)

Mr. Cowan confirmed the decisions reached in two letters dated November 9, 1948 which went to the members of the C.P.D. The first said:

"You will recall the discussion with regard to the selling basis re Zellers (B.C.) Ltd. It was agreed that no change should be made. In other words they will be sold entirely on a quantity basis.

Please govern yourselves accordingly."

(SDW 4-3)

The second said:

"Re: Robt. Simpson Western Ltd.

As you are aware, consideration was given to the above and the basis on which sales should be made. It was agreed that, whilst meantime Wrapping Paper might be the only line in which they are immediately interested, they should be regarded as qualifying and added to the 4,000 case buyers.

Please govern yourselves accordingly."

(SDW 4-4)

An instance where C.P.D. influence on the fixing of resale prices was apparently effective is described in a letter written on February 4, 1949 by M. J. Lucas of Pacific Mills to F. A. Scott of the same company:

"We have made a few enquiries around town about the deal Westminster is pulling off on napkins.

The Paper Council has issued instructions that the resale price will be held and while the jobbers buy the stock at approximately 50% a case less, they will not sell it at any price under ours.

You will note that originally Westminster said they were going to mark their napkins as semi-bleached but have now changed their minds and are not going to put any particular marks on them.

One reason the jobbers are going to hold their price is that Westminster is not prepared to do anything on the floor stocks and they have got the wholesale grocers and Safeway apparently in line to hold the resale set-up."

(PML 49-1)

Apparently Westminster Paper had suggested selling the napkins at a reduced price for clearance purposes but after accepting this suggestion on January 31, 1949 a different policy was put into effect by the C.P.D. on February 1 (PDC 1-504b; PDC 1-504a; WOM 200-17, Exhibit 211).

The foregoing parts of this chapter illustrate, for the period up to the time the investigation started, a number of the kinds of joint activity in which the distributors were concerned and in which matters directly related to the fixing of prices were involved.

After the start of the investigation there was some change in practice, both in the naming of resale prices for use by the wholesalers and in the methods taken to ensure that the various price schedules in effect should be observed by all the distributors. As such developments in some ways relate more to the enforcement of the observance of resale prices than to the fixing of resale prices, they will be dealt with in a later chapter.

V. Price Arrangements on Tenders

The documentary evidence shows that throughout the period 1935 to 1949 when the investigation started, one of the concerns of the members of the C.P.D. was to reach agreement on prices and conditions of sale which should govern when a potential buyer called for competitive bids on his coarse paper requirements.

The evidence establishes that the members of the C.P.D. effectively, although not without occasional trouble, organized to obtain this business at what may be termed fixed or agreed or non-competitive prices. The evidence shows that on occasion it was necessary for the paper distributors to extend their influence on contract business beyond their own group and that they were generally successful in any such efforts they made. Although usually the tenders agreed upon were for supplies to school, hospital and civic bodies, there were occasions when arranged prices were quoted to large industrial concerns which had asked for bids.

An early example of price fixing on tenders is referred to in the minutes of a P.D.C. meeting held on July 2, 1935. In this case there had been a special price on "Junior Size Paper Towels" "prepared by the Coarse Paper Division and presented by its members in usual course to the (Vancouver General) hospital authorities". The minutes also show a hospital official "stated that there was obviously collusion in preparing the bids as all eight tenderers had submitted identical prices" (Exhibit 72).

At this time there were only five Vancouver companies who bought direct from the B.C. manufacturers. It is therefore clear that other companies either bought from one of these five at prices that allowed them to tender or got supplies from eastern manufacturers. In either case, it was necessary, if the arrangements were to work, that steps be taken to ensure that the C.P.D. members were not underbid. When a C.P.D. member sold or stood prepared to sell an outsider coarse papers at an unusually low price so that the outsider might quote on some tender business, he was said in the trade to have "qualified" that outsider.

There had apparently been some trouble with respect to a contract going to an outsider when the following resolution was passed at the same meeting of July 2, 1935:

"THAT in the cases of all special quotations in future, made and authorized by the Council, that they be registered only with the members of the Paper Distributors Council of B.C. and such firms as the Council care to name, and that no other jobbers or sub-jobbers shall be notified or qualified to quote similar prices; and that, in order that none may plead ignorance of the ruling, the Secretary notify all members in writing of such arrangement, forthwith."

(Exhibit 72)

Understandings between the C.P.D. and the Vancouver agent for an outside manufacturer are indicated in the minutes of the C.P.D. meeting of August 6, 1935:

"The position anent the recent contract let by the Burnaby School Board re Paper Towels and Toilet Paper was reviewed, the Secretary supplying details of the information he had obtained. It transpired that the contract had been let to the Vancouver Supply Co. Ltd., as they had quoted on the former 5¢ per case and on the latter 25¢ per case less than that submitted by the members tendering. When this information was received, the Secretary interviewed Mr. H. Reddin, local representative of E. B. Eddy Co., Ltd., when, without hesitation, he stated that the Vancouver Supply Co. Ltd. had been advised by him of the prices as set. In any event, he assumed that these were so low that the firm indicated would not be interested and, accordingly, would submit no tender. Mr. Reddin also informed the Secretary that, as customary, identical information was given his other connections at the same time.

After deliberation on the various aspects of the matter as presented, the Secretary was instructed to communicate again with Mr. Reddin and point out that it will be necessary in future, with respect to the prices submitted to him, that he give an undertaking that any bids submitted by his distributors will not be lower than those of the Council."

(Exhibit 66)

The basic policy being followed by C.P.D. members was described in a minute of a meeting held on December 3, 1935:

". . . It was pointed out that the understanding was and the procedure should be that any tenders made ought to be the schedule price unless notified to the contrary and then any deviations should only be made after a conference of the Members interested."

(Exhibit 66)

Messrs. E.M. Herb (Westminster) and J.A. Young (Pacific Mills) attended a C.P.D. meeting on May 28, 1936, at which a number of subjects were reviewed. The minutes show that one of these was a call for bids by the Vancouver School Board:

"Vancouver School Board - Solicitation of tenders by the Vancouver School Board in respect of Towels, Toilet Paper, etc., was placed before the Division for consideration. Extended deliberation followed in connection with numerous phases of the situation, many of these resulting from the knowledge gained by the Members with reference to like quotations in the past. It was ultimately decided to quote the following prices:

Junior Towels	- \$1.98 per case	} All tax included and delivered.
7 oz. Toilet Paper	- 4.40 "	
Interfolded Toilet Paper	- 8.11 "	

Regarding the parties entitled to the information, other than Members of the Division, it was agreed that the Secretary should secure an undertaking from the firms mentioned below that they would control any parties to whom they in turn notified of the quotation, to ensure that they would on no account underquote on any tenders presented by them in the same regard:

J. C. Wilson Ltd.
E. B. Eddy Co. Ltd.

Arising out of the experience of last year, considerable discussion centred on the situation re the Vancouver Supply Co. Ltd. It was intimated that in line with previous occurrences, it might follow that the firm mentioned would quote on the basis of the Eastern product but on being asked to substitute a B.C. one in its stead, they may be induced to do so without any price adjustment. Under such circumstances, it was agreed by those present that they would not qualify the tenderer to implement such an undertaking with the School Board.

It was agreed with the Mill representatives that the cost to the Jobbers of the Junior Towels would be \$ 1.55 per case plus tax, and of the 7 oz. Toilet Paper \$ 3.50 per case plus tax.

Messrs. Herb and Young then retired but before doing so, the Chairman expressed thanks and appreciation for their assistance and the time taken by them in evolving these prices, also the hope that the work done would prove mutually satisfactory."

(Exhibit 66)

In accordance with a custom which continued up until the time this inquiry started, Mr. Cowan wrote to the members of the C.P.D. and told them what prices should, in this case, be charged:

"RE - VANCOUVER SCHOOL BOARD TENDER

Confirming telephone conversation this afternoon, have to advise that the prices arranged in respect of the items re the above are as shown against each :

Junior Towels	- \$ 1.98 per case	} All tax included
7 oz Toilet Paper	- 4.40 "	
Interfolded Toilet Paper	- 8.11 "	

The corresponding charges by the suppliers to your good selves are as follows:

Junior Towels	-	\$ 1.55 per case	} Plus tax
7 oz. Toilet Paper	-	3.50 "	
Interfolded Toilet Paper	-	8.11 " less 10 %."	

(NPC 2-138)

Throughout the years 1936, 1937, 1938 and 1939 the C.P.D. continued to be interested in the arrangement of prices for submission on tenders and from time to time, as the need arose, the secretary wrote to the members and told them what prices had been agreed upon for specific tenders. Such a letter went out to the members on May 18, 1939:

"Re: VANCOUVER SCHOOL BOARD TENDER

With reference to the quotations now being requested by the above, please be advised that the following are the agreed prices:

No. 2 Junior Towels - Interfolded	\$2.60 per case		
7 ounce Manila Crepe Toilet Paper, side notched ovals	4.98	"	"
Interfolded Toilet Paper - 800's	6.85	"	"

The above prices are net fob. Vancouver,
Sales tax included.

In this connection it is distinctly understood and agreed that no sub-jobbers will be qualified to quote these prices. Kindly be governed accordingly."

(Exhibit 87)

The paper towel requirements of the Vancouver School Board were fairly heavy and Pacific Mills and Westminster each made some extra effort to see that they received the business. Thus, on February 17, 1940 C.T. Radcliffe of Westminster wrote to John Cowan and said:

"Once again the school board contract is open for bids and we believe the amount of towels is placed at 1800 cases.

It has always been the policy of both Pacific Mills and the Westminster Paper Company to offer a special discount on carload orders for towels, feeling that on orders of this kind it is usually necessary for the paper distributors to work on a little lower margin than usual.

Therefore there will be no change this year and on this school bid if we are fortunate enough to have the business placed in the west the regular 10% discount will be allowed, providing the orders placed with either mill, on an aggregate from the various paper distributors total 500 cases.

We would appreciate your passing this information on to the distributors."

(PDC 16-2C)

Throughout the period of wartime price controls, the members of the C.P.D. continued to make arrangements for the submission of common prices on contract business. When, on occasion, some part of the going business went to an outsider, steps were taken to check up and find out why.

Price increases had recently been authorized by the Wartime Prices and Trade Board when Mr. Cowan wrote to the members of the C.P.D. on April 16, 1946:

"Re: Vancouver School Board Tender

You will remember that when the School Board requested quotations prices were furnished you under date of March 27th on the understanding that a notation would be included to the effect that they would be subject to any advance in cost prior to date of shipment.

As all prices were increased on April 1st last, it will now be in order for you to charge the following should you receive an order from the School Board in reply to your quotation:

No. 2 Junior Towels - Interfolded	\$ 3.02 per case
7 ounce Manila Crepe Toilet Paper, side notched ovals	5.56 " "
Interfolded Toilet Tissue - 800 sheets	8.64 " "

The above prices are net fob. Vancouver.
8% Sales Tax Included.

Kindly be governed accordingly."

(NPC 2-34)

Although Mr. Cowan sent out price information on tenders he did this on the basis of instructions received. Generally these seem to have come to him from the Executive Committee of the C.P.D. A procedure which did not involve Mr. Cowan actually sending price information out to the members is indicated by the following letter sent to him on February 8, 1947 by Columbia Paper:

"We are enclosing copies of quotations which we wish registered in the Council - one for the Board of School Trustees Trail District No. 11 and the other for David Spencer Limited, Vancouver."

(PDC 3-43)

A still different method of dealing with prices for an out-of-town tender where not all the members were interested in bidding is illustrated by a letter written by H. E. Miller of Columbia Paper to Mr. Cowan on February 18, 1947:

"Enclosed find copy of quotation to the Consolidated Mining & Smelting Company Limited on Towel supplies for this year. We would suggest that you forward one copy to Mr. Sykes of Vancouver Pacific Paper Company as he has been enquiring for the prices."

(PDC 3-44)

It was the established practice that tenders for coarse papers to be supplied over a period of time should make provision for mill increases in cost prices to the distributors. Mr. Cowan described the position with respect to a particular case when he wrote to the C.P.D. members on May 28, 1947:

"It has been directed to my attention that my letter of yesterday's date re the above is not as clear as it might be with regard to the underlying intention.

The point desired to be stressed was that any and all bills rendered the Vancouver School Board in respect of the recent or any tender, irrespective of the actual prices quoted, should be invoiced on the basis of those shown in the recently amended lists.

I trust the foregoing will remove any misunderstandings there may have been in the matter."

(CCL 10-25)

The following letter, sent to C.P.D. members on June 25, 1947, is typical of letters sent out from Mr. Cowan's office after all wartime price controls had been removed:

"Re: Shaughnessy Hospital Tender

With regard to the tender now being requested by the Department of Veterans' Affairs, the following are the prices which should be quoted:

Toilet Tissues - 6 oz. Creme Tone Round	\$ 5.56 per case
Toilet Tissues - Side Notched Creme Tone - 7 oz.	6.34 " "
Ovalock Towels	5.00 " "
Interfolded Towels - Junior	3.71 " "
Dispenser Junior Napkins	8.38 " "
Tray Cloths - 15x20 - Creped	2.27 per M.

Net Tax Exempt - Delivered to Hospital

Any quotation made by you should include the following clause:

'This quotation is subject to any Mill advance in prices prior to the time shipped'.

Kindly be governed accordingly and oblige."

(Exhibit 90)

At the C.P.D. meeting held on August 5, 1947 it was decided to reduce the commission allowance to sub-jobbers "for placing contracts for School Boards and Municipalities" from 7 per cent on toilet tissues for orders of 10 cases or more to 5 per cent as was being allowed on towels (Exhibit 70). On August 8, 1947 Mr. Cowan wrote to Tees & Persse, Vancouver:

"Re: Paper Towels and Toilet Tissues
for School Boards and Municipalities

Enclosed herewith for your information you will find revised price list being issued to the Members of the Division today."

(TPV 16-1A)

The enclosed price list was dated August 8, 1947 and was shown to be replacing a similar sheet dated March 8, 1944. It said:

"Re: PAPER TOWELS AND TOILET TISSUES

FOR RESALE TO SCHOOL BOARDS AND MUNICIPALITIES

The schedule in force at the time the contract is made will apply, subject to the following conditions in respect of bona fide orders for these commodities for School Boards and Municipalities when those institutions are sold through regular merchants:

TOWELS:

5% discount on quantity supplied

TOILET TISSUES:

5% discount on quantity supplied

It should be noted that when charging the goods to apply on these contracts, the name of the School Board or Municipality must appear on the invoice to the merchant. As opposed to the foregoing, it must also be distinctly understood that quotations direct to School Boards or Municipalities must adhere strictly to the list prices."

(TPV 16-1B)

In answer to a request made by H. Sykes of Vancouver Pacific Paper on September 17, 1947 concerning prices to be quoted to the

Vancouver School Board for 1948 supplies, Mr. Cowan wrote to Mr. Sykes on October 2:

"I hope you will not be thinking that the request made in yours of September 17th last has been overlooked, but as a matter of fact the information required only reached this office this morning.

Attached you will find the prices which I am informed by the Executive Committee should be charged the Vancouver School Board in connection with the tender for 1948.

Trusting the enclosure will prove satisfactory for your purpose,"

(VAN 22-1)

The following letter, written by Mr. McLaren of Smith, Davidson & Wright to John Cowan on November 14, 1947 shows that the arrangements with respect to tenders had been generally effective over a period of years:

"For the first time in many years we failed to get any portion of the Vancouver General Hospital order for Toilet Tissue and Towels. As this was so unusual, and as we believed our price ought to have been competitive, we immediately had our representative interview the purchasing agent at the hospital to find out the reason.

Today we are informed by our salesman that the hospital authorities stated that on the tender submitted by Vancouver Pacific Paper Limited, and Vancouver Supply, the following clause, inserted by all of the other tenderers, was omitted:

'This quotation is subject to any mill advance in price prior to the time of shipment.'

If upon enquiry of these firms you find that our contention is correct we think a special meeting of the Council should be called to deal with the matter."

(Exhibit 92)

This matter was discussed at the next C.P.D. meeting on December 2, 1947 and the following is quoted from the minutes:

"Vancouver General Hospital Tender - One of the Members indicated dissatisfaction re the result of the recent tender requested by the Vancouver General Hospital relative to Towels and Toilet Tissues. It appeared the major part, if not all the order, had been given to a Member and a jobber. Both were acquainted with the Council's recommendation but it appeared each omitted to insert the condition that the quotation was 'subject to any Mill advance in price prior to the time of shipment' and were therefore favored as shown. It was agreed to place the matter on the agenda for the next meeting, with the suggestion to the Member that the business be pooled with the others tendering."

(Exhibit 70)

Vancouver Supply was the jobber referred to in the minute. A minute from those for the C.P.D. meeting held on January 6, 1948 shows that further attention was given to the matter:

"Vancouver General Hospital - Further reference was made to that subject and after a fairly exhaustive review of conditions, a voluntary undertaking was given by Mr. Sykes that he would notify the Hospital authorities of his Company's mistake and that the clause 'subject to any Mill advance in price prior to time of shipment' would cover fulfilment of the order."

(Exhibit 71)

Mr. Sykes, sales manager of Vancouver Pacific, stated in evidence in the inquiry that the omission of the clause had been a "clerical error" (Record, p. 1174).

There is evidence that in 1948 Vancouver Supply was interested in quoting on tender business and in obtaining Council prices. Mr. Cowan wrote to Vancouver Supply on March 2, 1948 as follows:

"Re: Tenders

In connection with your enquiry for prices on Towels and Toilet Tissues for the North Vancouver School Board and Richmond School Board, the following are to be used:

North Vancouver School Board -

Junior Towels	\$4.45 per case
Toilet Tissues - 6 oz. Westminster	6.60 "
- Big 6	6.00 "
Ovals - 7 oz. Plain	6.55 "
Notched	6.85 "

Richmond School Board -

Onliwon	11.00 per case
	10.50 5 cases and up

Commission to be allowed to Merchants is 5% in the case of Towels and Toilet Tissues.

Any quotation made should have the following clause inserted by you:

'This quotation is subject to any Mill advance in price prior to the time of shipment.'

It is understood that the above prices will be strictly adhered to when quoting either direct to the School Board or through Merchants. The Distributors will so inform any Merchants to whom these are given."

(PDC 1-141)

On the same day Mr. Cowan sent a similar letter to the members of the C.P.D. (Exhibit 94).

It was clearly a matter of regular and continuing routine that the C.P.D. members should be furnished with specific price information for use in the submission of bids. Such information continued to be sent out from Mr. Cowan's office during 1948. Thus he wrote to the C.P.D. members on June 8, 1948:

"Re: Shaughnessy Hospital Tender

Re the above, please note the following:

180 cases of Toilet Paper, Round White	
Crepe 6 oz. (Westminster)	\$ 6.24 per case
60 " " Paper Towels - Onliwon	4.54 " "
250 " " " " - Ovalock	5.10 " "
90 " " Paper Napkins, Junior (Pacific)	8.55 " "
90 " " Paper Towels, Economy Junior	3.78 " "

Above prices do not include Sales Tax

All prices are subject to any Mill advance in price prior to date of shipment."

(KDC 14-4)

A handwritten note on the copy of the above quoted letter, which was found in Kelly Douglas' files, shows that firm to have bid at the prices set out.

C.H.Barrett, an Executive Committee member, sent Mr. Cowan's office prices on September 15 and November 19, 1948 for tenders to the Vancouver General Hospital and the Shaughnessy Hospital respectively and asked that they be issued (Exhibit 196; Exhibit 107).

On March 11, 1949, this being after the start of the investigation, Mr. Cowan wrote to the C.P.D. members as follows:

"Re: Vancouver School Board Tender

With regard to the tender now being requested by the School Board, please note the following:

Interfolded Towels	\$4.00 per case
7 oz. Manila Crepe Toilet Paper, side notched ovals	6.85 " "

The above prices are net fob. Vancouver.
8% Sales Tax Included.

Any quotations made by you should include the following clause:

'This quotation is subject to any Mill advance in prices prior to the time shipped'.

Kindly be governed accordingly."
(Exhibit 96)

Another letter about this tender was sent to the members on March 14:

"Re: Vancouver School Board Tender

This will confirm the information furnished you today in connection with the notice regarding the above which was issued from this office on March 11th last.

Unfortunately, notation was not included to the effect that it would be necessary to add the Social Security and Municipal Aid Tax now being charged by the Provincial Government. Will you therefore please make a note that any quotations in that connection should have the Sales Tax added to the figures already supplied you."

(Exhibit 97)

J.R.E. McLaren of Smith, Davidson & Wright wrote a letter of complaint on May 3, 1949 to John Cowan as follows:

"Along with others we tendered on paper towels and toilet tissue for the Vancouver General Hospital. We are advised this morning that our bid was not successful.

Would it be possible to find out if any members of the Paper Distributors received any of this tender, and if so at what price?"

(Exhibit 119)

On May 11, 1949 Mr. McLaren sent Mr. Cowan another letter of complaint which said:

"We hear that the Vancouver School Board have given their order for their annual requirements of paper towels, amounting to about 1500 cases, to one tenderer who undercut all of the others. This, on top of what has happened with the General Hospital tender, is a very serious matter indeed.

We would like if we could have a clearance of this matter made through your office to see if we can find out who was the successful tenderer."

(Exhibit 119)

Mr. Cowan's copy of Mr. McLaren's letter of May 3 bore a note indicating it had been found out on May 4 that Vancouver Supply had been given the

order "for six months supplies". The following quotation is from the minutes for a C.P.D. meeting which was held on May 10, 1949:

"Vancouver General Hospital - Considerable discussion followed re the recent tender on Paper Towels and Toilet Tissues for the Vancouver General Hospital, when it was reported the entire contract had been awarded to one bidder and as far as could be ascertained by the Secretary's office, on the same basis as used by the Members. As a result of the extended deliberation, the Secretary was asked to look into the matter and obtain full particulars.

He then took the opportunity of placing before the meeting a letter directed to his notice, intimating that the Vancouver School Board tender for Paper Towels had been awarded to one concern, a Member of the Council, and apparently at a price below that shown in the memo. issued by the Secretary's office. Immediately thereafter the representative of Kelly, Douglas & Co. Ltd. admitted that such had been the case but it had been before his appointment to the Paper Department of his firm and he was of the opinion that the figure of \$3.87 had been the result of information received from the Council. However, he was not definite on that point but indicated that they had been successful and expressed regret for any deviation from the established policy. The position was discussed at length when it was realized that nothing could be done now anent the specific item. However, strong representations were made that the arrangements re special public tenders must be respected; otherwise it would mean that conditions would rapidly deteriorate, with unsatisfactory results to all."

(Exhibit 78)

The Secretary is shown by the minutes of the C.P.D. meeting of June 7, 1949 to have done further work on the Vancouver General Hospital matter:

"Vancouver General Hospital - The Secretary outlined the main features attending his visit, as previously directed, to the Purchasing Department of the Vancouver General Hospital. Among other things he pointed out it was clear from the information gained that the quotations had been in line and his desire for information re reasons for the change in policy, in granting the entire contract to one as against dividing it over several bidders as in former years, did not produce results. The officials consulted remarked that the matter had been one entirely at the disposal of the Hospital Directors. As it was recognized that nothing of a collective nature could be done, subsequent action, if any, rested with the Members individually."

(Exhibit 78)

The last available mention of this incident is included in the minutes for the C.P.D. meeting of July 19, 1949:

"Vancouver General Hospital - Reporting on behalf of two Members, the Secretary intimated that the General Hospital had stated the business for the next six months covered by the recent tender for Towels and Toilet Tissues had been awarded the lowest bidder. That was difficult to conceive as the successful tenderers had apparently quoted on those items prices akin to the Council Members. After a short debate, it was decided to defer consideration until another opportunity presented itself."

(Exhibit 78)

The information given in this chapter by way of illustration of the activities of the C.P.D. in arranging for bids on contract business forms only a small part of the total evidence. Had the arrangements not worked effectively in the great majority of cases, the system used would no doubt have been discarded. It seems that in fact the greatest danger to the schemes devised was that a purchasing agent faced with a number of tenders showing exactly the same prices would, instead of splitting the business, give it all to one bidder.

VI. Relationships Outside the C.P.D.

1. Relationships with Eastern Manufacturers Selling in British Columbia

At all times in the period 1935 to 1950 some, if not all the coarse paper lines made by the B. C. manufacturers were being offered in the British Columbia market by eastern Canadian or prairie manufacturers. Insofar as kraft wrapping papers and grocery bags are concerned, the offerings through distributors other than those recognized by the B. C. manufacturers seem not to have been of any great significance for any length of time. There were, however, at all times in the years mentioned, established outlets in Vancouver, besides such distributors, for waxed paper and T.N.T. lines of eastern manufacture.

Obviously any control which the coarse paper distributors might exert over the local market would depend in some measure upon the extent to which outside sources saw fit to refrain (whether by actual or tacit arrangement or by independent policy) from entering into active competition with the coarse paper distributors. The evidence does not show in detail how the policies and practices of outside suppliers were established but it does disclose what may reasonably be assumed to be representative examples of how outside competition was tempered and the Council prices were enabled to exist.

As early as 1930 an arrangement existed between Pacific Mills and Dryden Paper Co. Ltd. of Dryden, Ontario - a kraft manufacturer - whereby the latter "gave up its British Columbia business" and Pacific Mills took on Columbia Paper of Vancouver as a distributor and agreed to "discontinue shipments [of kraft paper] to Manitoba except where we [Pacific Mills] needed kraft paper for weight" in making up cars of its other products for Hudson Paper Company Limited of Winnipeg, which was at the time Pacific Mills' main Manitoba outlet and was, at the end of 1937, to become its wholly owned subsidiary. The evidence was to the effect that the arrangement ceased to have effect before the fall of 1941 but it also indicates that as late as 1941, Pacific Mills remonstrated for some reason with Dryden for a shipment of bags sold in British Columbia and contemplated the possibility of threatening to discontinue Hudson's purchases from Dryden if necessary to bring Dryden into line (PML 45-18).

In no one of the years 1935 to 1950, inclusive, did Dryden make any large total of shipments of kraft wrapping papers into British Columbia and in the years 1935 to 1939, inclusive, and 1949 and 1950, no such shipments were made.

Another arrangement which had the effect of keeping an eastern coarse paper product out of the British Columbia market was one that Pacific Mills had with the E. B. Eddy Company of Hull, P.Q. Under this arrangement, which apparently dated from sometime in 1936, Pacific Mills allowed Eddy a 5 per cent discount on certain wrapping papers which were to be supplied through Tees & Persse, Eddy's agent in British Columbia, to the Safeway organization in British Columbia. This

arrangement was cancelled with effective date of January 1, 1951, by which time Eddy had stopped making kraft wrapping papers for sale as such.

Pacific Mills entered into a similar arrangement with J. C. Wilson after Pacific started to manufacture grocery bags in 1947. Under this arrangement J. C. Wilson bought Pacific Mills' bags for resale in British Columbia instead of bringing in bags of its own manufacture from eastern Canada as it had been doing. In return Pacific Mills gave J. C. Wilson a special 5 per cent discount which was not given to its other customers.

Under another type of arrangement the prices set by the B.C. manufacturers or their distributors were observed when offerings were made in the British Columbia market by a Canadian manufacturer from another part of the country. Thus a letter written on August 23, 1935 to the P.D.C. from the office of the late S. J. Frame of Toronto, who was connected with a trade organization known as the "Waxed Paper Council", said that a firm selling waxed papers in Vancouver, and not a distributor of the B.C. manufacturers was "obligated to observe the resale prices established by you through this office" (NFC 12-2b).

Again, the B.C. manufacturers were apparently able to obtain some protection for the prices of British Columbia products by threatening reprisals east of British Columbia for price competition by eastern products within British Columbia or western Canada. It was in part as the result of a threat by Pacific Mills to go into the eastern Canadian market territory "with a complete paper service . . . on a price basis" (PML 62-1J) that meetings were held in mid-1941 in Montreal and "the Eastern Mills asked us to write our own ticket on the toilet paper set-up for Western Canada" (PML 45-18). A further result appears to have been that price increases on toilet papers became effective at the manufacturers' and wholesalers' level for sales in the greater part of British Columbia in early October 1941, just a few days before wartime controls for the establishment of price ceilings went into force.

In addition to situations of the type already indicated, there were two market factors in British Columbia that throughout the period worked to the advantage of the B.C. manufacturers. One was the preference of local consumers for local coarse paper products. The other was that at all times from 1935 on, the B.C. manufacturers got distribution through the more important coarse paper wholesalers and the latter were, in their own self-interest and for their own reasons, loyal to the B.C. manufacturers.

In 1940 a suppliers organization in eastern Canada undertook to add three B.C. accounts to the list of distributors of wax papers. Westminster's reaction to this proposal is indicated in a letter written on August 16, 1940 to Hodder & Moffitt, trade association secretaries of Toronto:

"We are advised by the chairman of the Mills' Relations Committee, affiliated with the Paper Distributor's Council of B.C. today, that they have received a communication from Mr. Williamson

at Winnipeg, advising that his Toronto office had sent out a list of distributors of wax-paper to be approved by the Distributor's Council of B. C.

This list includes three new names which have never been discussed either by the Paper Distributors or the Western Mills, as follows: H.Y. Louie & Company, Overwaitea Company, Woodward's Department Stores Limited.

We understand that the Paper Distributors have wired you a protest to these names, and we would like to know just by what authority they were included on the list, as to the best of our knowledge this matter was never discussed with either Pacific Mills or ourselves, and we believe we should have a little bit to say about the names being placed on a direct buying list in Western Canada.

Will you airmail us your views please, as while we cannot tolerate action of this kind, it would be as well to have a definite understanding to avoid incidents of this kind in the future."

(Exhibit 169)

On the same day Mr. Radcliffe reported to Mr. Herb and said:

"The Chairman of the Mills' Relations Committee called me this morning advising me that they had received a very disturbing letter from the Winnipeg office of Messrs. Hodder & Moffitt. In this letter it states that their Toronto office have advised them of a list of direct Wax-Paper Distributors for British Columbia, pointing out that these are not sub-jobbers but are on a direct list from the mills, and that they would like the Paper Distributor's Council to approve it. They listed all the names of the Paper distributors, plus the new wholesale grocers, and have added the H.Y. Louie Company, Overwaitea Company and Woodward's Limited.

The Paper Distributors at once drafted a wire and sent it back to Winnipeg protesting the addition of these names and asked us to give them our support.

We have written Hodder & Moffitt in Toronto, a letter as per the attached copy, and while we would have liked to have made this a good deal stronger, we thought it better to wait until we had an opportunity discussing it, as between the two Western Mills.

..."

(WES 120-2)

Also on the same day Mr. Radcliffe sent a copy of both of these communications to Mr. Young of Pacific Mills and suggested they get

together so that "this should be nipped in the bud right at the start" (PML 61-64).

There was a meeting of the C.P.D. on September 10, 1940 and the minutes include the following:

"Appleford Paper Products Ltd. - The Secretary referred to his correspondence with Messrs. Hodder & Moffitt since the last meeting, relative to the Waxed Paper Distributors in British Columbia. It appeared there was an attempt to add Messrs. H. Y. Louie and Co., Overwaitea Co. Ltd. and Woodward's Stores Ltd. to the list but from their most recent letter it seemed the matter had been left in a position consonant with the Council's requirements."

(Exhibit 67)

In other words, the names of the accounts to which the members of the C.P.D. and Westminster objected had not been added to the list of recognized waxed paper distributors.

For the most part, T.N.T. lines of eastern manufacture were sold in British Columbia direct to firms who, insofar as British Columbia products were concerned, had to buy through the B.C. distributors. The C.P.D. members therefore worked to get the British Columbia sellers of eastern coarse papers to sell them at similar prices and under similar conditions of sale to those they observed with respect to British Columbia products. In this they had the support of the B.C. manufacturers and in addition, they had some bargaining power with the easterners as they sat astride the more important channels of distribution.

It was decided at the P.D.C. meeting of January 7, 1935 that Tees & Persse and Interlake should be invited to join the new organization. Apparently the invitations were extended but they were never accepted. The documentary evidence shows however that as early as 1935 the Vancouver manager for Tees & Persse had conversations with a representative of the P.D.C. with respect to prices quoted on a tender on which Eddy products were being offered. Reference has already been made to this incident at page 63 in Chapter V. The documentary evidence also shows that throughout the period covered by the inquiry discussions about pricing and selling policies were from time to time held between P.D.C. representatives and Tees & Persse representatives. Thus Tees & Persse was represented at the special C.P.D. meeting of March 16, 1937 mentioned in Chapter IV at which arrangements for the increase of prices on T.N.T. lines were made. About 1937 Tees & Persse were also agents in British Columbia for Appleford, an eastern waxed paper manufacturer, so that thereafter the conversations or negotiations related from time to time to all the principal coarse paper lines.

Another line of effort by the C.P.D. members was directed to keeping sellers outside their group informed as to the selling prices

which they were charging. Thus it seems to have been the regular thing from at least 1939 on for copies of the price sheets issued by the C.P.D. to go to the British Columbia representatives of Eddy, Appleford and Interlake. In addition, such price information was made available through a firm of trade association secretaries in Toronto to other eastern sellers making sales in British Columbia.

The exchange of information between the C.P.D. and Tees & Persse was not all one-sided. Thus, when on May 22, 1946 John Cowan wrote a letter to Tees & Persse in Vancouver and asked for a list of accounts entitled to purchase "Interfolded Toilet Tissues" at \$7.05 per case, a reply was made under date of May 23:

"Replying to yours of May 22nd the following are the firms entitled to purchase Onliwon at the \$7.05 price, f.o.b. Vancouver, and Victoria.

Vancouver

W. H. Malkin Co. Ltd.
Kelly Douglas & Co. Ltd.
Macdonalds Consolidated Ltd.
Dustbane Products Limited
Hygiene Products Limited
West Disinfecting Company
Clarke & Stuart Co. Ltd.

Columbia Paper Co.
J. C. Wilson Ltd.
Smith Davidson & Wright Ltd.
Vancouver Pacific Paper
Norfolk Paper Company
Vancouver Supply Co.

Victoria

Columbia Paper Co. Ltd.
Amberine Products Ltd.
Victoria Box & Paper Co.

Smith Davidson & Wright
Ship Chandlers
Collisons Limited."

(PDC 43-15)

This information was evidently passed along, as on May 27 Mr. Cowan sent Pacific Mills and Westminster the following letter:

"Re: Interfolded - Preferred Accounts

Enclosed herewith for your information you will find revised schedule being issued to the members of the Coarse Paper Division today."

(PDC 2-14M)

In the post-war period, coarse paper products were in somewhat short supply and it seems that the easterners selling in British Columbia stood prepared, as a general thing, to sell at or at not less than, the prices being charged for British Columbia products to various classes of customer.

While resale prices on Appleford products similar to those made by British Columbia manufacturers were apparently set at the same

levels as those prevailing on British Columbia products, a problem arose when the Appleford product was different to any item turned out in British Columbia. Such a case arose in June 1947 and some of the circumstances are described in the following letter written to Appleford's head office by the Vancouver manager of Tees & Persse on June 13:

"We have discussed Wash Cloths with the Paper Distributors and particularly with Mr. McLarnin (McLaren) of Smith Davidson & Wright Limited, who handles these matters for the B. C. Distributors Paper Council.

Mr. McLarnin suggests that we in Vancouver put in effect the following resale schedule:

Under 5 cases	-----	\$15.85
5 cases	-----	14.70
10 cases	-----	13.80
		Tax Included

Mr. Meads and the Writer have talked this matter over and think this is a good idea. We suggest that we adopt this schedule which, of course, is subject to the approval of the B. C. Distributors Paper Council. Mr. McLarnin mentioned that he thought this would pass without any question."

(Exhibit 35)

Appleford replied on June 17:

"We have your letter of June 13th re suggested prices on Appleford's Wash Cloths to the retail trade.

Whatever you decide to do is all right with us, and when this schedule has been adopted - if it is - just let us know, so that we can mark our records here and in case anyone write in for a price, other than the jobber or distributor, we will know what to tell them, although it is our policy to turn such records over to you, rather than handle them from here."

(Exhibit 36)

On June 25 Tees & Persse, Vancouver, wrote to J. R. McLaren of Smith, Davidson & Wright and at that time the chairman of the C.P.D.'s Executive Committee:

"You will recall discussing the matter of resale schedule for 'Appleford Wash Cloths.'

Will you please arrange the schedule suggested as follows, through the Council:

Under 5 cases	\$15.85 per case
5 case lots	14.70 per case
10 case lots	13.80 per case

Tax Included"

(Exhibit 37)

Resale price sheets on Appleford wash cloths were sent to members of the C.P.D. by Mr. Cowan on June 27, 1947 (Exhibit 39).

On July 2, 1947 the western manager for Appleford complained by letter to Tees & Persse, Vancouver, of the resale prices set and thought the case price of \$15.85 was high as compared with a case price of \$14.00 that had been established in Winnipeg (Exhibit 38). Tees & Persse, Vancouver, wrote to Appleford's western manager on July 10 and said:

"Replying to your letter of July 2nd in connection with our price set-up on Kalacloths.

Claude and the writer discussed this matter thoroughly and we decided that it would work out better for all concerned if we put this through the British Columbia Paper Council. We, of course, discussed this with Mr. McLaren of Smith Davidson & Wright Limited who looks after the price set-up for the Council. He, in turn, discussed it with the other merchants at one of their regular meetings, and they decided to put the aforementioned schedule into effect. The writer agrees with you that the Paper Merchants are probably wanting too much money but we thought we would let them go along and see what they can do.

We might mention that we had a letter from Mr. Brockway, copy of which you no doubt received, who stated that any prices that were arranged would be satisfactory. However, the point is, as you stated, that we want the retailer to get as much profit as possible."

(TPV 20-1A)

In this case one result of Appleford's desire for co-operation from the organized distributors was that what was apparently a comparatively high resale price was established.

Another example of the influence of the members of the C.P.D. on wholesale prices of coarse paper products made by eastern suppliers has to do with an Appleford product. On February 24, 1948 C. H. Barrett, manager in Vancouver for J. C. Wilson and at the time a member of the C.P.D.'s Executive Committee, wrote to Tees & Persse, Vancouver and said:

"With reference to Peach Market Paper, I have worked out a schedule of prices for rolls and sheets and also packages, which we ourselves will be prepared to adhere to and do a real job of selling this popular item.

I sincerely hope that an arrangement can be made, whereby Distributors in British Columbia handling Peach Market Paper can fall in line with these prices. Otherwise, if we must follow Appleford's resale list, the proposition is not very interesting to us."

(Exhibit 44)

On March 18, 1948 Tees & Persse, Vancouver, wrote to Appleford in Hamilton and said:

"Re: Smith Davidson & Wright Ltd.

Regarding your letter of March 15th, I delivered the samples to Mr. Wright the day after they arrived. My understanding is that at the present time they have not done a thing on Peach Market Paper. However, the selling price is going through the Paper Council this week so I do hope this will result in immediate action by this Company.

. . ."

(TPV 13-1)

A further report by Tees & Persse, Vancouver, was made to Appleford on March 19:

"Peach Market Paper Prices

Mr. Barrett advises us that the Paper Distributors Council have passed the schedule for resale of this line as recently submitted to you.

They feel that the line will soon be an important one in this market and he advises that he is booking roll orders so that he may order with his sheet stock as soon as the 2 ton lot from Montreal has been reduced."

(Exhibit 48)

Recognition of the fact that there was an organized price structure in the coarse paper trade in British Columbia which it was practical to observe is implicit in the following letter written on March 30, 1948 by Appleford to Tees & Persse, Vancouver:

"Re: Waxed Paper Lines for British Columbia

As we are now in a position to receive an ample supply of paper from our own mill at Espanola Ontario we are interested in expanding the present lines which we are selling in British Columbia.

Would you please send me a price list showing the prices at which your Paper Council are selling various Waxed Sulphite Lines both bleached, unbleached and semi opaque etc. as well as the prices on Waxed Kraft and any other papers which you think would be of interest to us.

As stated previously now that we have a better raw material supply we would like to make more lines available in your territory and would naturally want these to conform to the prices which are in effect at the present in British Columbia.

If you can send me the above mentioned price lists I will have our cost department figure whether we can compete with the prices presently in effect in the Vancouver Territory.

..."

(Exhibit 51)

The following quotation from the minutes of a C.P.D. meeting held on November 2, 1948 indicates that Eddy was believed to be in accord with the arrangement as to "4000 case buyers" which has previously been described:

"White Swan, Vernon - The matter of sales of White Swan in the Vernon territory was raised. That was left with the Executive Committee, in view of the understanding with the E. B. Eddy Co. In the course of the subsequent remarks, it was noted that in the instance of 4,000 case buyers that concern was in agreement with the arrangements."

(Exhibit 71)

Taken as a whole the evidence indicates that when coarse papers of eastern manufacture were sold in British Columbia they did not get to the consumer without having been affected by the fact that the greater part of the coarse paper trade in the province was directly controlled by B.C. manufacturers and distributors and by the fact that price agreements and arrangements had been worked out and operated by the members of the C.P.D. In fact the eastern manufacturers were almost forced to look to the organized distributors for assistance in the selling of their lines and this in itself gave the distributors the opportunity to exert considerable influence. All things considered, it seems for a number of reasons that at about the time this inquiry started, coarse papers of eastern manufacturers were being sold in British Columbia in such quantities, under such conditions of sale and at such prices and with such sales policies that they did not disrupt the agreements and arrangements referred to.

2. Relationships Between Members of the C.P.D. and Non-Member Wholesalers

(i) Relationships with The Wholesale Grocers

Considerable information that has a bearing on the subject of this section has already been given in this report, and in this section it is only proposed to summarize what the relationships were.

Prior to recognition of the four wholesale grocers by Westminster and Pacific Mills as direct buyers in mid-1940, any of the B.C. manufacturers' products that the wholesalers bought for resale in British Columbia were bought from one or the other of the already recognized paper distributors. The grocers were apparently sold at the distributors' lowest prices. The former did not always resell at the prices that were followed by the members of the C.P.D. In addition, one or the other of them from time to time brought in coarse papers from outside sources and sold them at prices below those prevailing on British Columbia products.

Shortly after the four wholesale grocers were put on Westminster's and Pacific Mills' direct lists, there were meetings between their representatives and representatives of the members of the C.P.D. and arrangements for the working out of common pricing policies were, with the backing of the two mills, developed. The following is an excerpt from the minutes of such a meeting, which was held on July 8, 1940 and was attended by representatives of each of the paper distributors and each of the four wholesale grocers:

"The necessity of rigid recognition of the price lists by all parties was stressed and on a canvass of the meeting was undertaken unless and until after the matter had been officially regularized by invoking the machinery available through the Secretary's office."

(Exhibit 67)

In the latter part of 1940, although the wholesale grocers were not formal members of the C.P.D., it was considered by themselves and by the members that they had some definite connection with it. Proposals were made that they should meet part of the expense of the group's operation and at one stage they looked forward to doing so. In January 1941 Macdonalds Consolidated withdrew from such understandings as it had with the group. Macdonalds Consolidated continued to handle coarse papers in Vancouver and in other parts of British Columbia in the same manner as did any other distributor until in 1942 that part of its wholesale business in Vancouver which did not relate to the supplying of Safeway retail stores was sold to Kelly Douglas, as were its wholesale branches at a number of other points in British Columbia.

In June 1941 Kelly Douglas made a payment into the P.D.C.'s funds and by the end of July Kelly Douglas and W. H. Malkin had paid a total of \$135.00 which was said to cover "the contribution of Kelly, Douglas and Co. Ltd. and the W. H. Malkin Co. Ltd. to September 30, 1941". The last contributions by these firms were apparently made in January 1944, the total amount for the year ending January 31, 1944 having been \$202.50. Vancouver Supply did not get recognition as a distributor from the B.C. manufacturers for as large a number of products as did the other three wholesalers and perhaps for this reason refused to contribute to the P.D.C.'s funds.

Although in the years following 1940 allegations were made from time to time about price cutting, and although the most serious problems appear to have arisen in connection with the prices and other conditions of sale of the wholesale grocers, at no time did trouble develop to such a degree that the arrangements could be considered as generally ineffective. Some examples of the kind of action taken to restore harmony will be given in a later chapter of this report.

In 1946 Kelly Douglas joined the P.D.C. Apparently this was done with the idea that when it became a member, the company would be recognized as a distributor for certain coarse paper lines which up until then it had not been able to get. Reference to this condition is made in the next chapter.

It has already been mentioned that because some of the wholesale grocers had branches at points outside Vancouver, the paper distributors had found it necessary to make an arrangement under which, where goods were bought by them at an f.o.b. Vancouver price, they would ship to outside points and, despite the fact that the shipment might be made at l.c.l. freight rates, charge their customers only the carload rate. In this way the common price structure was preserved, whether the paper was sold by a paper distributor or wholesale grocer, at a point where one of the latter had a branch to which it made shipments at carload rates. Another source of difficulty between the paper distributors and wholesale grocers was that two of the latter had arrangements under which they allowed, under certain conditions, overriding discounts on purchases by some of their customers. When the rate of such discounts was calculated on total purchases, including coarse papers, or when the discount was allowed on coarse paper products, a difference in net price to the purchaser between what he paid the wholesale grocer and the price quoted by the paper distributor arose. Various negotiations were undertaken with a view to removing coarse papers from the list of products which were in any way related to discounts of this character. A letter written by John Cowan to C. L. Barker of Hudson Paper, Winnipeg, on May 11, 1948 with respect to a complaint made by a prairie wholesaler who was selling in eastern British Columbia, indicates that finally agreement on this problem had been reached:

" . . .

Re the matter of the special quantity and other rebates, which it was charged were being given by the Wholesale Grocers, I have now an undertaking from both the firms named that in no shape, manner or form will paper be used, either as a feature entitled to special commission or considered in computing quantities to qualify for any concessions which may be in effect with regard to grocery lines. You can thus assure the National Fruit Co. the grounds for their former objections in that respect have now been removed and accordingly there should be no further experience of an adverse nature from that cause.

". . ."

The two firms to which Mr. Cowan referred were Kelly Douglas, a P.D.C. member at the time, and W. H. Malkin.

Taken as a whole the evidence indicates that from June 1940 the wholesale grocers who bought coarse papers direct from the B.C. manufacturers collaborated with the members of the C.P.D. to such an extent that the latter were able to maintain their pricing arrangements.

(ii) Relationships with Other Wholesalers

There were some wholesalers or jobbers who, throughout the period 1935 to 1950, handled coarse papers in British Columbia but were never direct buyers from the B. C. manufacturers. Such wholesalers might be divided into two groups: one that specialized in paper products and another that handled coarse papers as incidentals to other business.

The number of coarse paper wholesalers who were in business as such but were unable to buy direct from the B. C. manufacturers was very small. Collison Paper Co. Ltd. of Victoria was, for some time, one of these. For years, this company got supplies through one or the other of the recognized distributors who had their headquarters in Vancouver. However, Collison was able, for some years before April 1947, to get the products of Pacific Mills and Westminster in this way at a net cost equal to the regular distributors' cost price. In addition, it has for some years been able to buy bags direct from Bartram. It was therefore the case for some time before this inquiry started that Collison was at little, if any, disadvantage in comparison with the other paper distributors insofar as coarse papers made in British Columbia were concerned. Insofar as its selling policies are concerned, the evidence indicates it sold at the same prices and under the same conditions of sale as did the members of the C.P.D.

A somewhat different position in the trade was occupied by one or two wholesalers who did business in Vancouver, and of which the General Paper Company is an example. This company seems to have pretty well limited its activities to the selling of paper products, at least some of which were made outside of British Columbia. Apparently, it not only sold coarse papers in the same way as did an ordinary paper distributor, but in addition it acted as an agent in British Columbia for at least one eastern manufacturer then known as Perkins Tissue Mills, Limited. In its effort to get business for the Perkins' lines, General Paper looked to the paper distributors for sales. A letter written on May 20, 1941 by John Cowan to A. Brodie of General Paper shows the character of an arrangement that went into effect at that time:

"Re: Shelf Paper

Enclosed herewith you will find price list in connection with Hostess Brand Shelf Paper being issued to the members of the Coarse Paper Division today.

I understand this schedule has been arranged by consultation between yourself and the committee of the Distributors and that the prices in question will be maintained with respect to any sales made by members of the Council.

For your information, these are as follows:

Columbia Paper Co. Ltd.
Norfolk Paper Co. Ltd.
Smith, Davidson & Wright Ltd.
Vancouver Pacific Paper Co. Ltd.
J.C. Wilson Ltd."
(PDC 3-26)

Obviously the members of the C.P.D. would not enter into such an arrangement if others, including General Paper itself, were selling the same product at a lower price.

The following letter written on January 27, 1947 by A. Brodie of General Paper to John Cowan, secretary of the P.D.C. is further indicative that arrangements among the members of the C.P.D. had effect outside the limits of the group of direct buyers from the B. C. manufacturers:

"On March the 15th, 1939 you were in touch with us regarding our cooperation in maintaining Paper Association Prices, at that time it was in regards to Dispenser Napkins and we expressed to you that it was strictly the policy of the General Paper to maintain all prices, this promise we have always kept on ALL the lines we have handled.

At the present time numerous changes in the Prices are going into effect (in the past we have always called on one or the other Wholesale House to give us these changes) is it not possible for you to place us on your Mailing List so that we can put these new prices on our list just as soon as you issue them, it would help us tremendously and assure you that our Price List was in line.

In particular; - Millinery & Notion Bags.
Dispenser Napkins."

(PDC 3-41A)

Although the members of the C.P.D. were anxious that sub-jobbers or other outsiders should not sell at prices lower than they were observing, they at the same time were somewhat concerned about the possibility of too much attention being brought to their group operations through their price lists getting indiscriminate circulation. A reference in the minutes of the C.P.D.'s meeting of August 10, 1948 illustrates the fact that some restraint was exercised:

"Dispenser Napkins - Mr. A. Brodie - It was intimated that Mr. A. Brodie, the representative of the General Paper Co., had recently made a request for resale prices re dispenser and package napkins. It was agreed those should be furnished regularly. It was also directed that the Executive Committee keep the Secretary informed re the nature and extent of data which should be supplied from time to time."

(Exhibit 71)

Other instances in the evidence also show that for one reason or another the selling prices arranged within the C.P.D. were observed by sub-jobbers and others who sold similar products and were not directly affiliated with the group. It seems that in fact the amount of business done by such sellers was comparatively small and that it was generally done at prices and under conditions of sale that did not cause any great inconvenience to the recognized distributors of the B. C. manufacturers.

VII. Entry Into the Wholesale Coarse Paper Trade in British Columbia

In each of the years 1948 and 1949 the British Columbia distributors who could buy direct from one or more of the three B.C. coarse paper manufacturers purchased approximately \$3,000,000 of coarse papers. It was the natural wish of the C.P.D. members to keep as much as possible of this business and also the trade in outside products for themselves and they, therefore, sought to keep to a minimum the number of distributors who were recognized by either the B.C. or other Canadian manufacturers. From time to time persons who believed the wholesale coarse paper trade held out possibilities of profit tried to attain the status of distributors. Sometimes direct approaches were made to the manufacturers and sometimes applications were made for membership in the P.D.C., upon the assumption that recognition by the manufacturers would follow.

The circumstances surrounding the recognition in 1940 by Pacific Mills and Westminster of four wholesale grocers as direct buyers of some of their products have already been described in Chapter III. Such recognition was given as a result of a serious threat to the position in the British Columbia market of these two manufacturers and it was given in the face of firm opposition from the members of the C.P.D. and some considerable time after it had originally been requested. Not all the lines of Pacific Mills were made available to these new distributors in 1940 and it was not until April 1947 that this difference in treatment was removed and then for three out of the four of them only.

Coast Paper Limited (Coast Paper) a fine paper merchant, which was a member of the P.D.C. and of its Fine Paper Division, apparently made some effort in 1944 and 1945 to become established in the coarse paper trade. In June 1944 Gilbert Garnett, the company's president, had a talk with E. M. Herb of Westminster about the possibility of Westminster putting Coast Paper on its direct list and Mr. Herb appears to have been favourably disposed. After some conversations with Mr. Cowan on the subject, Coast Paper on December 11, 1944 made written application for membership in the C.P.D. At this time there were no stated qualifications in the Rules and Regulations of the P.D.C. for membership in it or in one of its divisions. The Coast Paper application was considered at C.P.D. meetings on January 9, 1945 and February 6, 1945. The minutes of the latter meeting show that the Executive Committee of the C.P.D. recommended that Coast Paper be accepted as a member of the C.P.D. if it could meet certain stated requirements (Exhibit 70). On February 9, 1945 Mr. Cowan wrote to Gilbert Garnett of Coast Paper and in his letter set out what the requirements were:

"As intimated to you the other day your application was again before the Coarse Paper Division when I was directed to notify you that the Members will be pleased to receive your firm as a member subject to its ability to meet the qualifications. These you will recognize are and will be 'standard' in respect of any applications which may be received from time to time.

The qualifications may be stated as follows:

An applicant must -

1. Have representative stock of a full range of Wrapping and other Coarse Paper lines
2. Have the assurance of a continued supply of those lines
3. Give an intimation of the manufacturers for whom he will act as distributor
4. Give an assurance, analogous to (2) above, that he can actually secure a supply now of Wrapping and Coarse Paper lines, failing which he cannot be recognized as qualified until he is in that position

I shall be glad to have in due course your responses to the several features postulated and if these meet the requirements, can assure you the Members will be pleased to give your application favorable consideration."

(PDC 23-1A)

Minutes of the C.P.D. meeting of March 6, 1945 show that the secretary had discussed this letter with Mr. Garnett and that the conditions were acceptable to him "with the exception that Mr. Garnett was not prepared to indicate the sources from which his Company would obtain supplies" (Exhibit 70). Coarse papers were in short supply at this time and such fact may have influenced the situation although the documentary evidence does not so indicate. In any case Coast Paper apparently lost interest in entering the coarse paper trade. Up to the time of the inquiry, Coast Paper had not become recognized as a coarse paper distributor.

At a C.P.D. meeting held on February 20, 1945 and attended by E. M. Herb of Westminster and H.C. Pim of Pacific Mills, one of the matters considered was the "question of the attitude of the Mills to new Distributors who, it was conceded, would appear in the near future especially when there were ample supplies" (Exhibit 70). This question was again considered at a C.P.D. meeting on August 7, 1945 and on August 8 Mr. Cowan wrote to each of the three B. C. manufacturers as follows:

"It has come to the notice of the Council that there are periodic applications by sundry firms to be qualified as distributors of your products.

The Members feel they are justified in registering with your good selves a strong protest against any further additions to the list of distributors at this time and that for several reasons with which you are more or less familiar.

However, it may be stated that one which strongly fortifies their present request is the knowledge that most of the lines handled are now in short supply; also that the authorities look askance at supplying new outlets for the distribution of merchandise.

I shall be glad to hear from you in due course that the stand taken is in accord with your own general policy in these matters.

Thanking you in anticipation,"
(PDC 23-2)

Mr. Pim replied on August 9 for Pacific Mills:

"Acknowledging your letter of August 8th may say that we have not given favorable consideration to any such applications and quite appreciate it is unlikely any circumstances will arise while Wartime Prices and Trade Board control over distribution is in effect, to justify any changes in our channels of distribution.

As you probably know we had one such application some months ago from a member of your Council and while that application was sympathetically received it has actually been shelved for the present."

(PDC 23-3)

Mr. Herb's letter of reply was dated August 10:

"It is difficult for us to understand what prompted your letter of August 8th on the subject of Further Additions to the Distributors List.

There have always been periodic applications in this regard, but it is only on rare occasions that any real consideration is given same. The last instance you are thoroughly familiar with, and it would appear that this case has been more or less shelved as we have heard nothing further from the party involved.

Frankly, we would prefer to leave our distribution set-up in the Dominion of Canada exactly as it is. Under present day conditions it would seem that there is no alternative in any event. It must be obvious, however, that to adopt this as a long term policy would only be fool-hardy. There are so many factors beyond our control which could force us to change our view point over night. I believe that your members realize that this is the case and I further feel that they are worrying unnecessarily about a matter of this kind at the present time; after all our past record should speak for itself. Any new names that have been added to the Distributors Lists since the inception of the Company were obviously entitled to the consideration that they were given, even though we were not the first to recognize this fact."

(PDC 23-4)

Mr. Pin's reference to an application from a member of the P.D.C. was likely to Coast Paper.

A reply under date of October 26, 1945 was received from Bartram. Minutes of the C.P.D. meeting of December 4, 1945 say of this letter that it "agreed with the position as presented to **Bartram Paper Products Ltd.** and indicated that Company's ideas were in line with those of the Council" (Exhibit 70).

There had been some consideration given at P.D.C. and C.P.D. meetings held on June 4, 1946 to a tentative application for membership by Kelly Douglas. On July 10, 1946 R. R. Arkell, general manager of Kelly Douglas, wrote to John Cowan, secretary of the P.D.C.:

"Further to our application for membership in the Paper Council of B.C., and our conforming to the rules, regulations and payment of dues on the same basis as other members in our category.

Since we understand the Council has met and ample time has elapsed to consider the above, also not wishing to cause any embarrassment to the group, we, therefore, request an answer not later than Wednesday, July 17th. Otherwise, you will consider our application withdrawn on that date.

You will also appreciate, as of that date we withdraw any statements made with regard to our following the Council's regulations."

(Exhibit 121)

Long before this letter was written, Kelly Douglas officials had attended meetings where the purposes of the operations of the C.P.D. were made quite clear. The letter itself must be considered as containing a threat of price competition on the part of Kelly Douglas and apparently this was taken seriously by the members of the P.D.C. Decision was made at the C.P.D. meeting of August 6, 1946 to the following effect:

"THAT the application of Kelly, Douglas & Co. Ltd. for membership in the Council be received and approved and that their representative, Mr. I. W. Akerley, be supplied with a copy of the Rules and Regulations for perusal and acceptance."

(Exhibit 75)

On August 19, 1946 Mr. Arkell wrote to John Cowan as follows:

"In our letter to you of August 13th, acknowledging your invitation to become a member of the Paper Distributors Council of B.C., we made no mention of our acceptance of their by-laws.

We hereby agree to adhere to the regulations, trade customs, and schedules of the Paper Distributors Council of B.C. as set forth in the copy of the by-laws which you enclosed with your letter of August 7th."

(Exhibit 121)

In oral evidence Mr. Arkell indicated that his company's application for membership in the P.D.C. was based on an opinion that his company, if it achieved membership, would gain some advantages in ability to get supplies. Mr. Arkell did not name mills or products but in this context he said, "We definitely gained some advantages" (Record, p. 1268).

At a C.P.D. meeting held on May 27, 1947, it was decided to extend an invitation to London Paper Co. Ltd. "to become identified with the Council" (Exhibit 70). London Paper was a company which was apparently controlled by one of the then shareholders of Smith, Davidson & Wright, and it had been getting supplies through one or another of the recognized distributors. It did not buy direct from any of the B. C. manufacturers. The invitation to join the P.D.C. was apparently extended with the thought that if London Paper would join the C.P.D. a higher degree of co-operation in the observance of the recognized resale prices and conditions of sale might be expected from it. London Paper joined the P.D.C. and in so doing accepted its "Rules and Regulations". London Paper was first represented at the P.D.C. meeting of July 8, 1947. It went out of business in 1948 and its resignation from the P.D.C. was accepted at a meeting held on October 5, 1948.

As early as September 1940, a Vancouver firm known as J. Phillips & Co. Ltd. had made a request that Westminster sell it direct. On July 16, 1947 John Cowan wrote to each of the members of the C.P.D.'s Executive Committee and advised them that he had "just received an application from J. Phillips & Co. Ltd. for admission to membership in the Paper Council". Mr. Cowan also said:

"In their communication they indicate they have recently expanded their activities to include the wholesaling of paper products. Hence the reason for the step they now desire to take.

. . ."

(SDW 4-41)

Apparently, just before this application was received, there had been some attention paid in the C.P.D. to the question of "Qualifications for Admission to the Coarse Paper Division" and it was decided at the meeting of July 8 that H. Sykes of Vancouver Pacific and G.T. Smith of Norfolk should be a committee to which the matter should be given "for consideration and ultimate report". Up until this time there had been no definite financial standards to meet as a prerequisite for admission to membership. By the time the P.D.C. next met on September 9, 1947, the committee had made a report. The minutes of this meeting include the following:

"Application of J. Phillips & Co. Ltd. for Membership - A letter dated

July 10th last from J. Phillips & Co. Ltd., 136 Water Street, Vancouver, was read, in which that Company advised they were expanding their activities to include paper products and accordingly made application for membership in the Council. Following receipt of the communication, as it was expected they would be interested

in Coarse Paper lines only, the matter was referred to a meeting of that group held on August 5th, 1947. Discussion on that occasion centred around the qualifications required for acceptance as a Member of the Coarse Paper Division, which were stated as follows:

'A corporation, firm or individual whose business is selling for resale, owning outright and carrying a general stock to the cost value of not less than \$50,000.00 of the various grades of stock lines, wrapping papers, paper bags, toilet tissues, wax papers, etc., and generally known as coarse paper.'

In accordance with the directions given, the definition indicated was then placed before the Council for approval.

Considerable discussion ensued with respect to the fact that the cost value of the stock carried was set at \$50,000.00 but it was ultimately decided on motion regularly made, seconded and carried that the suggestion of the Coarse Paper Division be approved by the Council, with instructions that the regulation should be included in the By-laws.

The application of Phillips & Co. Ltd. was then examined in light of the decision reached, instructions being given the Secretary's office to notify the applicants that Mr. Cowan was absent at the present time but that as soon as he returned he would communicate with them more fully with regard to the matter."

(Exhibit 75)

The documentary evidence indicates that the executives of Pacific Mills, Westminster Paper and the various paper distributors thought that J. Phillips & Co. Ltd. was a company owned or controlled by Woodward Stores Limited of Vancouver and that recognition of J. Phillips & Co. Ltd. as a direct buyer of coarse papers from the B. C. manufacturers would have been, in effect, recognition as such of Woodward's.

The next important development in this matter was that on December 2 a Vancouver solicitor, acting on behalf of J. Phillips & Co. Ltd. wrote to John Cowan (PDC 1-1091). On December 10, 1947 this solicitor interviewed Mr. Cowan and on December 11 there was a special meeting of the C.P.D. at which the secretary reported and the situation was discussed. On December 30 there was a meeting of the Executive Committee of the P.D.C. at which Mr. Cowan reported on his interview of December 10. The minutes go on to say:

"He (Mr. Cowan) had heard nothing further until the 29th inst., when a call had been received from Mr. G. R. Dunbar of Messrs. J. Phillips & Co. Ltd., who enquired the reason for non-receipt of a final reply to that firm's application for membership. It was explained the main reason was after the Secretary returned

from vacation he understood the grounds for the application had been removed and that further action appeared unnecessary. He agreed that perhaps the status should have been confirmed, but explained to Mr. Dunbar he had not taken that step due entirely to the accumulation of work awaiting attention on his return. On endeavoring to purchase supplies, the former then claimed he had been advised by the Westminster Paper Co. Ltd. that their sales were confined to members of the Council. The Secretary stated such information did not conform to the actual situation and while he had no official knowledge of the Members' buying arrangements, as that was outwith (sic) the scope of the Council's functions, he did know of several non-members who were buying direct from the concern noted. The conversation ended with the request from Mr. Dunbar that the Secretary acknowledge his letter re membership and include therein the other statements he had made with regard to the matter."

(Exhibit 75)

The minutes of the P.D.C. meeting of January 6, 1948 show that in the meantime the Secretary had interviewed Mr. C. T. Radcliffe of the Westminster Paper Co. Ltd., who denied the allegations re the restriction of sales of his firm's products to Council Members only" (Exhibit 76).

On January 25, 1948 Mr. Radcliffe, who was then in Montreal, wrote to John Cowan as follows:

"I have been receiving phone calls daily from Phillips - their demands are that we sell them on a direct basis - in which case they will act solely as a procurement division for Woodward Stores or they will procure paper elsewhere - of all grades - and go into general competition with the present paper distributors - to all classes of trade.

The matter therefore is not one for our Company alone to decide - as if we take a firm stand and refuse their request - we are forcing a competitor for our present distributors into the field. It may be, therefore, that the distributors would rather have us appoint Phillips as a direct buyer - with sales confined to Woodwards, Vancouver and branches - than see them take the alternative.

I today received the following telegram.

'Legal action will take place end of next week Stop Stalling tactics all round are an aggravation, direct buying price only solution'.

signed T. Farrell, Woodward Stores'

By legal action I assume they mean to claim restraint of trade by our refusing to sell J. Phillips and while they may not win their point they can provide unpleasant publicity - and certainly unprofitable competition.

Will you kindly advise the Members of what is transpiring, you may send them a copy of this letter - also to other interested suppliers, so that they may discuss the matter pending my return Saturday, January 31st.

The question we want them to answer is 'Would they - in view of the low profit involved - and the high cost of servicing, recommend that Westminster sell the J. Phillips & Co. on a direct basis - conditional on certain minimum quantities being set - which would preclude the extension of this policy to others - also conditional on Phillips purchases being confined for distribution to Woodward Stores only.

If you could arrange a meeting of the full Council this week and wire me an expression here, it would be much appreciated.

I believe Woodwards are going to take the stand that they are comparable to Douglas Paper."

(Exhibit 71)

On January 27, 1948 Mr. Cowan sent a copy of Mr. Radcliffe's letter to each of the members of the C.P.D. and with respect to Mr. Radcliffe's suggestion of a "meeting of the Members to discuss the situation" said "I shall be glad to be advised as soon as possible of your wishes in that regard" (PDC 1-109b). There was a C.P.D. meeting on January 28, 1948 for the special purpose of discussing Mr. Radcliffe's letter of January 25 to John Cowan. The minutes of this meeting, which are unusually brief, are quoted in part:

"An extended discussion took place, which was terminated by the direction that the Secretary telegraph Mr. Radcliffe in accordance with his request as follows:

'YOUR LETTER JANUARY 25th RECEIVED. CONTENTS NOTED. CAN ONLY REITERATE INFORMATION GIVEN YOU PERSONALLY DECEMBER 31st THAT I HAVE NO INFORMATION RE BUYING ARRANGEMENTS OF MEMBERS OTHER THAN GIVEN ME BY YOUR GOOD SELF THEN. ACCORDINGLY REGRET UNABLE UNDERTAKE YOUR COMMISSION. REGARDS'.

That appeared to be the only course open to the Division on account of the fact that the Secretary as their representative had no knowledge of the buying arrangements between the Distributors and their Suppliers, the only authoritative information reaching him with respect to the Westminster Paper Co. Ltd. being the particulars given by Mr. Radcliffe during the interview with the Secretary on December 31st last."

(Exhibit 71)

The telegram quoted was sent. Neither it nor the minutes reflect the pattern of the past activities of the group on like matters. The evidence indicates that they were something created "for the record".

J. Phillips & Co. Ltd. did not become a direct buyer from Westminster or Pacific Mills. In a letter dated May 5, written by C. H. Barrett, a member of the C.P.D.'s Executive Committee to L. Glazan of Victoria Box and Paper, Victoria, B.C., the following appears:

" . . . Woodward's have been pressing for a considerable time to buy direct from the Mills at our cost and finally they employed legal talent to go into the matter thoroughly. The Paper Distributors have held out consistently that Woodward's should not receive any special concessions in prices other than those listed in our price books. The Mills agreed not to sell Woodward's direct and also employed legal talent to find out if Woodward's could force their hand and the conclusion was reached that Woodward's could not get what they wanted.

. . ."

(Exhibit 193)

It was at about this time that the 4,000 case buyer arrangement, which has already been described in Chapter IV, was put into effect. Woodward's was one of the small number of buyers qualified to buy the items covered under the preferred prices allowed.

The case of Collison Paper Co. Ltd. of Victoria is an interesting one. This company was put on Pacific Mills' and Westminster's direct lists in April 1947. This fact apparently did not become known throughout the C.P.D. until it was mentioned at a meeting on September 9, 1947. It is with respect to this that the minutes of the meeting include the following:

" . . . The matter was referred to the Executive Committee on the understanding that they would discuss the development with the Mills and ascertain the exact position, reporting their findings at the next meeting of the Division. The opinion was expressed that if the information supplied proved to be correct, the Council should lodge a vigorous protest in that connection."

(Exhibit 70)

On October 21, 1947 Collison made written application for membership in the "Coarse Paper Council" and on November 5, 1947, according to a memorandum which was prepared by its chairman, J.R.E. McLaren, the Executive Committee met with Frank Scott of Pacific Mills. The memorandum is quoted in part:

"COLLISONS LIMITED - Mr. Scott was asked why Pacific Mills had sold this firm direct without reference to the Paper Council. Mr. Scott pleaded guilty but said that it had been their understanding that Vancouver Pacific had notified the Council of the change in the status of Collisons and that Collisons had arranged with the Council to be taken in as members. We pointed out that too much had been taken for granted in this instance, and obtained from Mr. Scott the assurance that in the future they would be careful to see that a similar error would not occur."

(SDW 4-35)

The minutes of the P.D.C. meeting of November 4, 1947 show that the Collison application was considered and "it was recognized the chief advantage of meeting the suggestion would be that assurance of their complying with the Council's regulations. Opposed to that was the doubt whether or not they could meet the qualifications as enunciated several months ago. That led to the direction being given the Secretary that he officially acknowledge the letter and ascertain if they could comply with the regulatory conditions" (Exhibit 75).

On November 12, 1947 the secretary wrote to Collison Paper and asked whether the firm could meet the "existing qualifications". Mr. Cowan quoted the qualifications as they had been passed for inclusion in the P.D.C. "By-Laws" on September 9, 1947 (PDC 1-69b). Collison Paper replied on November 25 saying its floor stocks "of coarse paper items would not amount to the stipulated figure" (PDC 1-69). The C.P.D. considered Collison's letter at a meeting on December 2, 1947 and the minutes say:

"... It was contended the circumstances as narrated did not warrant deviation from the regulations as enunciated. The main aspect seemed one of assurance, when the applicants were officially informed through the Secretary's office of changes in the Council's lists covering lines in which they were interested. In line with that sentiment, the Secretary was instructed to write a suitable reply."

(Exhibit 70)

On December 11, 1947 Mr. Cowan wrote to Collison along the lines indicated and no more was heard at this time of this application for membership (PDC 1-80).

The H.Y. Louie Co. Ltd. of Vancouver, a wholesale grocery firm, made written application on February 23, 1948 for membership in the P.D.C. (Exhibit 114). This matter came up at the P.D.C. meeting of March 2, 1948 and appears in the minutes as follows:

"H.Y. Louie Co. Ltd. - Whilst on the subject of applications for membership, the Secretary advised he had received one from H.Y. Louie Co. Ltd., Wholesale Grocers, who desired to become identified with the Council, claiming eligibility from the standpoint of their position in the Trade. A protracted discussion ensued when the Secretary was asked to communicate with the Mills and ascertain if they had been approached by the applicants and if so, the nature of the overtures and reception given. If an affirmative answer was given re the first query, then it seemed incongruous the applicants should have been encouraged to anticipate acceptance as previously the statement had been made the Mills did not desire to increase the number of their Distributors. It was recognized the nature of the information obtained would determine the form of acknowledgement which should be made to H.Y. Louie Co. Ltd. and also any step or steps deemed necessary under the governing circumstances."

(Exhibit 76)

Mr. Cowan reported to the P.D.C. meeting of April 6, 1948 as to the action he had taken:

"H.Y. Louie Co. Ltd. - The Secretary advised that in accordance with the instructions given he had discussed the application with both Mills and was informed by each that they had no indication of that firm seeking admittance. In view of that he had replied to the applicants in accordance with his instructions."

(Exhibit 76)

The letter written to H. Y. Louie on March 31, 1948 by Mr. Cowan read as follows:

"Your letter of February 23rd last was placed before the Council at a recent meeting and was given due consideration.

Results of a canvass of the known circumstances did not apparently qualify you as there are very rigid requirements, such as -

- (a) The extent of the facilities used exclusively in the handling of paper products.
- (b) The capital invested in paper stocks.
- (c) The annual turn-over in paper business.

If you care to let me have data with regard to the foregoing, I shall be glad to re-open the application at any time."

(Exhibit 116)

Clearly H.Y. Louie was attempting to gain membership on the assumption it could then buy British Columbia coarse papers under terms as favourable as those enjoyed by its competitors. It also made direct approaches to Pacific Mills and Westminster in May 1948. On May 26 Mr. Pim of Pacific Mills wrote to H.Y. Louie as follows:

"We have given careful thought to your letter of May 25th, as was done at the time of our discussion with your Mr. Way some months ago. However, I regret exceedingly that we cannot see our way clear, at this time, to place you on a direct distributor basis.

At present we have eight distributors in Vancouver, and we also have had requests for direct arrangements from several firms other than yourselves. It is felt that any further widening of this list would make distribution of our products unattractive to those already appointed. In other words, there are already sufficient distributors in this relatively small market."

(PML 18-4A)

Mr. C. T. Radcliffe of Westminster Paper replied to H. Y. Louie on May 27:

"Acknowledging your letter of May 21st, requesting that your firm be placed on our direct distributors list, and pointing out that our present distributor reselling set-up, does not permit you a profit.

This is very regrettable, but it is a policy of our company to suggest resales to our distributors, that provide as low a margin of profit that is possible to enable them to operate, and still keep the ultimate cost of the consumer of Purex items, as low as we can - particularly in view of today's general increase in the cost of living.

Part of this is made possible by our holding our distributors down to the very minimum number so as not to increase our own selling cost, and it is not our intention to add to our list of distributors at this time.

We regret therefore that we cannot add your name to our list of direct distributors."

(WES 28-2)

There is no further record that H. Y. Louie pursued its request for membership in the P.D.C. but there were later developments in its efforts to become a direct buyer from the two mills. A letter written to the P.D.C. on September 2, 1949 by C. T. Radcliffe shows that in May the distributors had been consulted about the company putting H. Y. Louie on its direct list and that their views had some influence on Westminster's course of action. Mr. Radcliffe's letter said:

"On the 1st of May, this year, the matter was brought up with our distributors of our adding a new distributor to our list of direct accounts, namely, the H. Y. Louie Company. At that time there was very little objection but we were asked to hold the matter over for consideration.

Four months have now passed and we feel, after a considerable amount of investigation, that it is against the interests of the Westminster Paper Company and our distributors to have these people continue in the category as it stands today.

We find that these people have been legitimate wholesale grocers for a great many years, are calling on the trade regularly, and as a matter of fact control and influence a good part of both retail and commercial accounts and are forced to sell competitive items to ours. In other words, goods manufactured in Eastern Canada.

Their business is building steadily and gradually they are building up accounts for eastern goods that make it harder and harder for you and our distributors and ourselves as manufacturers to displace.

A similar account is the Westminster Supply in New Westminster. We think it is a ridiculous situation when we, the Westminster Paper Company, with a payroll such as we have here, are faced with the fact that local restaurants and storekeepers are handling lines manufactured in eastern Canada simply because this wholesaler who has been in business for over 22 years is unable to handle our products on a basis which will show him any profit.

We sincerely do not believe that the placing of these accounts on our direct list will in any way affect the volume of our present distributors but it will definitely remove the danger of a steady and growing infiltration of competitive lines.

They would naturally be under the same commitment to the Westminster Paper Company of having to adhere to our selling conditions.

Will you kindly, therefore, voice our wishes to the members of the Council in this regard and let us know if there are any objections."

(Exhibit 170)

A minute headed "Membership" shows that this letter was discussed at a C.P.D. meeting on September 21, 1949 (Exhibit 78).

On September 27, 1949 Mr. Cowan wrote to Mr. Radcliffe:

"Re: H.Y. Louie Co. Ltd.

The contents of your letter of September 2nd were carefully considered by the Coarse Paper Division at its meeting on Wednesday last. The Members were at a loss to understand the approach in the form made at this time, as in their opinion it was contrary to the understanding which has prevailed for a lengthy period.

In the foregoing connection the viewpoint is rigidly held that the question of appointment of Distributors is yours and certainly not one in which the Council as such can or wishes to take any part. They contend that stand is purely a corporate one and must in no way be attributed to any Member or Members jointly or severally. They assert past relationships confirm that status.

With kindest regards,"

(Exhibit 171)

Westminster Supply Co. Ltd., a wholesale firm with office in New Westminster, B.C., had made application in 1948 for membership in the P.D.C. This application was considered at a P.D.C. meeting on June 1, 1948. The minutes for the P.D.C. meeting of July 6, 1948 make reference to the action taken:

"Westminster Supply Co., Ltd. - The Secretary advised he had interviewed the principal of that concern, Mr. A. Derby, who, on being apprised of the qualifications required for Council membership, recognized his Company's inability to meet them at the present time. The Members were informed that the opportunity was taken to remove any ideas the applicants held re buying concessions which they thought could be obtained through identification with the Council."

(Exhibit 76)

Westminster Paper did not put H.Y. Louie and Westminster Supply on its direct buyers or B.C. distributors list until February 1950.

Except for the four wholesale grocers added in 1940, there were no additions to the B.C. manufacturers' distributors in and around Vancouver from the beginning of 1935 and possibly for some time before that, until after the inquiry started.

VIII. Activities Related to the Maintenance and
Operation of the Pricing Agreements and
Arrangements

Both the B.C. manufacturers and their distributors in Vancouver were interested in the maintenance, by all distributors, of the established prices and worked to support them.

Organized activity with respect to the maintenance of established price schedules found formal expression in the Rules and Regulations of the P.D.C. These Rules and Regulations have been quoted in Chapter II, but in connection with the subject matter of this chapter, it is well to draw particular attention to those sections (pp. 9, 10) with the following titles:

Duties of Executive Secretary
Audit
Consent of Members
Information Treated Confidentially
Adherence to Regulations.

From the time in early 1935 when the P.D.C. was organized until after the time in 1949 when this inquiry started, there is an unbroken record in the documentary evidence of activity by the secretary and by the members of the C.P.D. directed toward the investigation and adjustment of alleged price irregularities. As early as the P.D.C. meeting of April 2, 1935, the secretary "had made a survey, arising out of a complaint calling for an investigation". The minute in which this incident is mentioned also shows that there was a "mill interested in the complaint" (Exhibit 72).

At all times during the period covered by the inquiry, there were, as has already been pointed out, one or more wholesalers in Vancouver who were not members of the P.D.C. but could buy coarse papers direct from the B.C. manufacturers. If the price arrangements were to be effective, it was necessary that these buyers, as well as the members of the C.P.D., should generally observe them. In this respect the secretary and the members of the C.P.D. did not, therefore, confine their work of investigating "irregularities" to the formal membership of the group. A "Register of Complaints", which John Cowan started to keep in February 1937 as a confidential record and which was maintained for some years, shows that complaints were made by C.P.D. members against C.P.D. members, by C.P.D. members against non-members, by non-members against C.P.D. members and by a B.C. manufacturer against a non-member who was not a direct buyer. In other words, the complaint procedure was, in practice, available to almost any coarse paper seller in British Columbia who thought there was some reason or purpose for making complaint. The following quotation from the Register illustrates its contents and, to some extent, the methods followed in making and dealing with a complaint:

"Lodged by	Against	Date	Complaint	Disposition
6. Columbia Paper Co. Ltd.	Vancouver Pacific Paper	April 17/37	Reported Van Pac. Paper selling to Macdonalds Consolidated Ltd at Victoria & outside points on basis of 10%-5% & 2% from list.	Investigated that Member's books & found selling at 10% & 5% which is quite in order.
7. Norfolk Paper Co. Ltd.	?	April 24/37	Reported a Member selling Ferguson & Hart at whole-sale prices.	Discussed at Meeting held on May 5th and agreed to give firm in question no concessions.
9. Macdonalds Cons. W. H. Malkin Co.	Nelson) Cranbrook) Vancouver Houses	June (1937)	Selling Purex in small lots at the 10 case price	As no one admitted the infraction, an examination was made of the books of the Distributors and no irregularities found. Decided to await further developments.

(PDC 56-1)

It was sometimes necessary for one or another of the B.C. manufacturers to take a hand when difficulties arose. Thus, in early 1938 when the distributors' selling price on #2 dispenser napkins had been lowered to 50¢ per thousand and their margin had been cut to 10 per cent to meet prices being quoted on outside products by the General Paper Company, Westminster became interested in the situation. Westminster talked the matter over with the Vancouver representatives of Eddy and Interlake and then suggested that the recognized distributors buy up General Paper's stock, which totalled about 150 cases. The idea was that these napkins could then be divided among the various distributors and disposed of fairly rapidly, and hence they would not remain in the hands of General Paper for a considerable period with a resulting depressing effect on the going prices for napkins in British Columbia. The problem was discussed at the C.P.D. meeting held on March 1, 1938 and the secretary was instructed to make an offer to General Paper. This affair was entered in the complaint register as a complaint by Westminster. The following appears in the "Disposition" column:

"Decided to secure their stock of Napkins & distribute among the Council & J.C. Wilson for sale. This arrangement not effected but Mr. Wilson of General Paper Co. agreed to sell at Council prices regarding balance of his stock."

(PDC 56-1)

At the C.P.D. meeting of April 11, 1939 reference was made to Collison Paper of Victoria selling two items at low prices. The matter was referred to at the meeting of June 9 and again at the meeting of August 1, 1939, and the following is quoted from the minutes of the latter meeting:

"Collison's Ltd. - Mr. Sykes (Vancouver Pacific) intimated No. 2 Kraft the questions raised at the two previous meetings had been reviewed with the representative of Collison's Ltd., in Vancouver and during a recent visit to Victoria. On both occasions he had very emphatic assurances that no deviations were made from the established prices and advised the books of Collison's Ltd. were available for inspection at any time. It was felt desirable, in order to obtain satisfactory results, that definite information should be given regarding the alleged price infraction, without which the opinion obtained further action at this time was impractical."

(Exhibit 66)

At this time Collison, which it will be remembered never succeeded in becoming a P.D.C. member, got some of its supplies through Vancouver Pacific.

When Pacific Mills and Westminster put the four wholesale grocers on their direct lists in 1940, there were a number of meetings for the purpose of making arrangements for the establishment of resale price conditions satisfactory to both groups. On November 19, 1940 there was a meeting of the "Wholesale Paper Distributors" which, as a group, included the members of the C.P.D. and the four wholesale grocers. The minutes show that a number of matters having to do with observance of resale price schedules were dealt with and also include the following:

"Checking Facilities - The request of a Grocery house
Wholesale Grocers - that the checking arrangements
in vogue with regard to the
Council's activities be extended to the whole group was
submitted and after a brief discussion, it was accepted
as the policy in future with regard to all the Wholesale
Paper Distributors."

(Exhibit 67)

In early 1941 the members of the C.P.D. were becoming increasingly concerned about encroachments on their business by one or more of the wholesale grocers. There was a special meeting of the C.P.D. on January 13, 1941 which was attended by representatives of each of the members of the C.P.D. and by E. M. Herb of Westminster and J. A. Young of Pacific Mills at which consideration was given to the members' problems in this respect and also, to matters more directly related to the maintenance of agreed prices. With reference to the latter, the minutes include the following:

"Anent price maintenance, Messrs. Young and Herb gave an undertaking they would withdraw the present privileges from any of the Wholesale Paper Distributors in the event of it being established that the schedules as drawn by the Council and accepted by the individual firms, were not being maintained. In that connection Mr. Young, speaking for his Company, stated that action would be taken immediately on the submission of bona fide evidence that price violations had taken place.

. . .

The statement was then made that whilst substantial difficulties had centred on the subject matter already discussed, there were also those in connection with the execution of the regulations, which it was agreed required almost as much recognition as price maintenance. In that connection it was stated that new schedules would be prepared and issued forthwith by the Mills, directing attention to those matters, which step it was thought would remove grounds for contention or at least misunderstanding in any respect. Thereafter, in the event of any deviations, it was directed that these be reported to the Secretary when the co-operation of the Mills was promised to see they were promptly adjusted. The new sheets it was intimated would contain references to the effect of non-adherence, viz. that supplies would be withdrawn."

(Exhibit 67)

Neither Pacific Mills nor Westminster seems to have made any statements in writing to the effect that if established resale prices weren't observed, supplies would be cut off. There were, at this time, further meetings, some of them between the C.P.D. members and representatives of Pacific Mills and Westminster, at which the problem of non-observance of resale prices, with particular relation to the practices of the wholesale grocers, was discussed. One of these, held on May 20, 1941, was attended by E. M. Herb and C. T. Radcliffe of Westminster and J. A. Young of Pacific Mills and a brief, which had been prepared on behalf of the members of the C.P.D. and included the following, was read:

"Certain practices now in effect are giving the Paper Distributors much concern, both from complaints received and by the loss of actual business which in the past has come in from certain organizations.

There are means of combatting this situation. One might be by meeting it on a competitive basis. However, this is not conducive to good business and would undoubtedly upset our organised efforts with the Wholesale Grocers and demoralize prices in general."

(Exhibit 68)

Mr. Cowan's record of the meeting shows that the conditions causing concern to the members of the C.P.D. were reviewed at length and that there was considerable discussion and argument as to what should be done. Towards the end of the meeting the members took the position that "the utmost endeavours would be exerted to uphold the (price) structure and everything possible done to maintain it in a practical manner". The minutes also show that a plan of action had been drawn up:

"After discussing the best means of approaching the Wholesale Grocers, it was agreed that two or three from the Council should meet the principals of the Wholesale Grocers at an informal luncheon. That would provide an unofficial approach to the entire subject, which no doubt would lead to a full review of the situation and permit unobtrusively the intervention of the Mills on a basis which could not be construed other than impartial and having as its aim the betterment of conditions. It was understood Mr. Young would invite representatives and that the place would be in a private dining room of the Hotel Vancouver at a time convenient to the parties concerned."

(Exhibit 68)

It was finally arranged that the luncheon should be held on August 8. On the morning of that day there was an Executive Committee meeting with J. A. Young (Pacific Mills), E. M. Herb and C. T. Radcliffe (Westminster) and H. Sykes (Vancouver Pacific) also present. The minutes say:

"After a canvass of the different features, it was agreed among other things that Mr. Young should act as Chairman and by way of introduction intimate to those assembled that more than a year had elapsed since the recognition of the new Distributors, and from that standpoint he thought it fitting to review the present position and that which had subsisted from time to time. It was admitted there should be no disposition to elaborate on any specific type of complaint, other than to show

certain infractions had taken place and whilst against any idea of dwelling on the past, he realised consideration should be given to these in a general way from the viewpoint of avoiding a drift into a more serious state. In other words, the object would be to see if a meeting could be arranged of the new and old Distributors to initiate measures to offset any rift becoming wider through lack of official recognition or action.

He then gave an outline of the several pertinent matters which might be introduced into the proceedings, with the intent of obtaining in a quiet but effective manner the aims all had in view and that, without disrupting the prevailing harmony or engendering feelings of discord on the part of any.

In that connection he did and would stress that all parties identified with either the old or new categories had a common interest in view, viz. that of securing a reasonable volume at a reasonable price and yielding a reasonable net profit."

(Exhibit 68)

The luncheon was attended by Messrs. J. A. Young, F. A. Scott, E. M. Herb and C. T. Radcliffe from the two mills, representatives of the wholesale grocers, the Executive Committee of the C.P.D., H. Sykes and John Cowan. Mr. Young was chairman. Mr. Cowan's record of the proceedings shows that the chairman "gave a brief outline of the reasons for which the meeting had been called" and that each of the persons present was canvassed as to his views. Plans were made for more frequent meetings between the two groups of distributors and in this respect the record is as follows:

"It was further agreed that perhaps there had not been meetings of the whole group as often as requisite but that omission again could, it was realised, be laid in a general way to the form of the developments and the fact that often-times expeditious action was necessary to meet the prevailing conditions. However, it was admitted and agreed regular periodic meeting of both groups should be held to discuss principles involving matters in which all were interested, with a committee representing both the old and new Members to meet from time to time to deal with detailed matters as and when they arose. It was expected the first of the general meetings would be held at an early date."

(Exhibit 68)

On August 12, 1941 there was a meeting of the "Wholesale Paper Distributors". A number of the wholesale grocers were represented and the president of Vancouver Supply which was not represented was quoted as having said "it was his intention to comply with the policies and price

and other regulations promulgated by the group" (Exhibit 68). Mr. Cowan had a number of subjects ready for consideration. The following quotations from the minutes, which were four pages long, illustrate the character of the discussions and the type of problems dealt with:

"MEETING PRICE INFRACTIONS

Analogous to the matter discussed under the previous heading was the tendency on the part of certain staffs, particularly located in areas removed from Vancouver, to meet price infractions without notice either to their principals or the Council. That condition meant difficulty inevitably arose in later attempts to adjust affairs. The point was therefore stressed and recognised by the Distributors that definite instructions should be given salesmen and branch managers to report any infractions and await the application of adjustments authorised by the Council in the usual way.

. . .

JOINT COMMITTEE

After representations had been made by the personnel of the old Distributors for the appointment of a committee which would be representative of both groups, it was decided to take no action at the present time, leaving the Executive Committee of the Coarse Paper Division to function as heretofore."

(Exhibit 68)

It was the habit of John Cowan to prepare an annual report on the P.D.C.'s activities. The "SECRETARY'S SIXTH ANNUAL REPORT", dated February 3, 1942, included the following:

"A survey at this point indicates the even tenor was disturbed on several occasions by events which might have proved epoch-making. Fortunately ways and means were devised to re-establish the quiescent mood which has characterized the programme throughout the greater part of the year. . . .

Here emphasis is furnished anent the desirability of the Council's functions and its value to the Members individually and as a group. It can be truthfully said that the beneficial results accrue with perhaps as great moment to the Fine Paper Division as the Coarse, although from the Secretary's standpoint the latter has predominated in its demand for personal consideration. The reasons are too well known and pronounced to require further elaboration.

In connection with the operations of the Coarse Paper Section, the position is taken that, apart from any adverse results which might be experienced by the individual Members in a loss of turnover through the inclusion of the Wholesale Grocers as Distributors, the feeling does prevail that the physical operations are running more smoothly than contemplated in the early stages of the transition. However, there were and still are problems demanding tact and careful consideration but to date these have been handled by the Members with consummate skill which seems to assure the continuance of the prevailing satisfactory conditions. Thus, experience inspires confidence to approach 1942 with firm step and high resolve that its close will witness a real advance in the purposes and functions of the Council."

(Exhibit 74)

It seems clear that had it not been for mill intervention and support in 1941 no such report could have been made.

During the period of wartime price controls the various activities of the C.P.D. with relation to the investigation of complaints continued. In addition, occasional meetings were arranged at which the state of the arrangements between the C.P.D. members and the non-member wholesale grocers were discussed. One such meeting was held on October 27, 1943. It was attended by representatives of Kelly Douglas, Vancouver Supply, W. H. Malkin and representatives of the C.P.D. Mr. Nunn of Vancouver Pacific reported to the C.P.D. at its meeting of November 2, and in describing the report the minutes say:

"Complaints - The Wholesale Grocers were informed these were by no means one-sided as there were a number falling within the category of complaints by Grocer against Grocer, by Grocer against Paper Distributor and vice versa and also Paper Distributor against Paper Distributor. Mr. Nunn detailed the procedure generally followed by the Secretary in those affairs and pointed out that so far as the Paper Distributors were concerned, their records were always available to him for inspection at any time and suggested that a like arrangement obtain with the Grocers. It was ultimately agreed that a similar concession would be allowed with regard to the records of the latter, in the event of the Secretary wishing to investigate alleged violations or infractions. It appeared that hitherto the Grocers had cut prices, apparently without investigation. That unrestricted course had a trend of becoming a practice and the ultimate effect undoubtedly was severe inroads into profits earned by all concerned. Therefore, it was relatively a simple matter to urge the adoption of the Council procedure in those instances. The Grocery Houses admitted substantial profits were being earned in paper and they desired to maintain that status as an offset to the rather meagre margins on their other lines.

Allusion was made to the situation created by the Fruit Houses in the Kootenay and Okanagan territories, which it was contended was a difficult one under the existing arrangements, but it was pointed out that the Mills had more or less undertaken to protect the Distributors from inroads being made in their business by outside interests. Their object was to place their representatives on a basis to meet competitive conditions. That evidently proved a new angle to the Wholesale Grocers and apparently created a satisfactory impression."

(Exhibit 69)

The W. H. Malkin representative at the meeting of October 27, 1943 was E. J. Jardine. The minute quoted above was drawn to Mr. Jardine's attention when he was giving oral evidence and in this context he stated:

"Q. What position do you take with regard to this question of your being investigated?

A. Our records are open to the Committee to investigate, and we took that position. We have nothing to hide."

(Record, pp. 1402, 3)

During the remaining part of the period of wartime price controls Mr. Cowan and the C.P.D. continued to give attention to complaints of "deviations from the 'straight and narrow path'", but as Mr. Cowan pointed out in his annual report, dated February 3, 1947, these were "discouraged by the shortage of supplies and government control" (Exhibit 75).

During the wartime control period the P.D.C. performed various functions in furtherance of the policies and directions of the control authorities but such functions are not germane to this report.

Common action with respect to the recognition of accounts which were to be allowed "special list prices" was necessary if price uniformity between the wholesalers was to be maintained and the C.P.D. as a group, frequently passed on matters of this kind. The following minute for a meeting held on August 5, 1947, is an illustration of this:

"Alaska Pine Purchasing Agency Ltd. - Those present were advised that one of the Members had received a request from Alaska Pine Purchasing Agency Ltd. for concessions equivalent to special list prices. On a canvass of the meeting it was found that sales were being made strictly on a quantity basis by the other Members. Accordingly there seemed no necessity for granting any concession in that regard."

(Exhibit 70)

C. H. Barrett of J. C. Wilson was a member of the C.P.D.'s Executive Committee when he wrote to C. Alderson, a salesman for his company, on October 17, 1947:

"Referring to your wire received today which states that eight Trail merchants have formed an Association known as the United Merchants Association, and are buying together.

There is nothing we can do to give them better than the 10 Case prices for Purex even in carload lots. It has come to the point here that the Distributors in Vancouver are receiving requests from various types of such organizations attempting to buy in very large quantities to secure lower prices. I have taken this matter up with the Paper Council here and through Mr. Cowan, the Secretary, have arranged for him to contact the other Distributors of Paper, and he has informed me that they have agreed to hold to the 10 Cases price for any quantity of 10 Cases or over. It is the intention of the Distributors here to protect their margins of profit as long as possible and although we do not know what will happen in the future we intend to hold the line until such time as conditions force a different arrangement.

Please remember that once the prices have been forced down in one instance, it is the wedge that could force other prices down as well and we would eventually find ourselves working on a close margin, on all coarse Paper Lines. If you are discussing this matter further with the interested parties, please do not at any time mention the name 'Paper Council', and you will understand why when I say that there are a great number of people who immediately come to the conclusion that we are combined to force higher prices. The whole object of the Council is for protection to each Member to see that prices are at all times stable, otherwise we would have a very confused situation throughout the trade. . . .

. . . "

(Exhibit 186)

The distributors sometimes looked to one or more of the mills for assistance in maintaining observance of the accepted resale price schedules. In 1948 the wholesale resale prices on Westminster's lines were named by the manufacturer and were adopted with only occasional objection by the distributors. The following is quoted from the minutes of a C.P.D. meeting held on April 15, 1948:

"Vancouver Supply Co. Ltd. - Mr. McLaren reported he had been advised by the Secretary the previous day that Vancouver Supply Co. Ltd. had intimated that after April 13th it was their intention

to meet every price infraction encountered by them. In that connection Mr. Radcliffe had been approached, when he advised the matter would be reviewed with Vancouver Supply Co. Ltd. Notwithstanding a promised report, Mr. McLaren said that so far no communication of any nature had been received. Accordingly, the Chairman phoned Mr. Radcliffe and thereafter stated little satisfaction had been obtained, the inference being the Mills could not legally police the prices at which the Distributors were selling their products."

(Exhibit 71)

Mr. Radcliffe, when examined on this subject, said:

"I believe that in investigating the case I found that Vancouver Supply were not going to do any such thing, and that they had not been doing all the things they were alleged to have been doing; and I imagine I was annoyed about it, and did not do anything."

(Record, p. 900)

The following letter, written on August 10, 1948 by J. R. E. McLaren of Smith, Davidson & Wright, was found in John Cowan's files:

"We have complaints about out prices to the following accounts:

Home Service Markets
Westlock Grocery, 1099 Howe Street
Wilbees Stores

In the first instant, Manila is being delivered to individual stores in small lots at the ton price. In the case of Westlock Grocery, someone has sold Westminster Toilet Tissue at \$6.60 case, and Hand-E-Wrap in single cases at \$5.35 case. Wilbees are receiving better than the 10 case price on Toilet Tissue."

(PDC 1-389a)

Handwritten notes on this letter show that Mr. Cowan inquired of all the Vancouver distributors of Westminster Paper and Pacific Mills' products to find out if they were selling to the firms named and that he had been given information on this point and in some cases information on the prices being charged. A typewritten note, also on the face of the letter, said:

"J.C. (John Cowan) communicated information as pencilled above Aug. 17/48 to J. R. E. McLaren. Latter advised the former he would go into it further and if as a result he desired further information, he would advise J.C."

Minutes of a C.P.D. meeting of October 5, 1948 show that further attention was given the matter:

"Home Service Market - The Secretary reported he had looked into complaints made and from a canvass of the Members, it appeared the infractions might emanate from the fact that the buyers of Butchers Manilla were securing it from a source other than a Council representative. It seemed, too, that a similar condition obtained in respect of Johnson's Meat Market, which tended towards the conclusion they were acquiring their paper needs from one of the Packing Houses, who either did not appreciate or were not cognizant of the price schedules. That led to the suggestion an effort should be made to ascertain the exact status in that connection."

(Exhibit 71)

Efforts which were apparently successful were then made to close the cut price source of supply which was outside the P.D.C.'s ordinary sphere of influence. The minutes of the C.P.D. meeting of December 7, 1948 are quoted in part:

"Home Service Market Complaint - Following the direction formerly given, Mr. G. T. Smith reported that he had ascertained Home Service Market had been obtaining their Wrapping Paper requirements from Meat Packers. However, as a result of representations, he had the latter's assurance the Council's regulations would be recognized and maintained. Relative to Johnson's Market, it appeared the irregularities, if they had existed, were removed as the former Distributor was again supplying them with their requirements."

(Exhibit 71)

On occasion information was circulated in the C.P.D. on an approach being made to a paper distributor by a buyer for a price concession. On October 1, 1948 Inland Distributors Limited of Kamloops, B.C., which was apparently a fairly substantial buyer, asked Smith, Davidson & Wright to sell wrapping papers to it at the "special list 2000# price any quantity". Another distributor had already turned down the request. On October 2, 1948 Mr. McLaren wrote to Inland Distributors and said:

"Your letter of October 1st received, for which we thank you. The question of the ton price is simply one of quantity, and it is not economically possible for the paper distributors to allow this price on orders of a smaller quantity. It is obvious that it is much less expensive to handle a ton of wrapping paper than an order for 500 lbs., which is the approximate weight of the order you wish filled.

We regret that we cannot see our way clear to in any way change our price lists, as we wish to be fair to all of our customers.

We note that you do not wish us to fill the order unless we will supply at the ton price and, therefore, with regret we are returning same herewith.

. . ."

(PDC 1-423b)

An entry in the minutes for the C.P.D.'s meeting on November 2 reads as follows:

"Inland Distributors Ltd. - Letters passing between Smith, Davidson & Wright Ltd. and that firm were read by the Secretary. The underlying purpose was to bring the matter before the Division so that they would be fully informed of the status and be guided during the future."

(Exhibit 71)

Smith, Davidson & Wright's price list in effect in early 1949 included a sheet dating from July 1941 which was headed:

"WRAPPING PAPER SPECIAL LIST
SPECIAL WRAPPING PAPER ACCOUNTS - KRAFT AND MANILA
Entitled to purchase at the 2000 lb. price in any
quantity . . ."

Forty-three firms or chain organizations of retailers were named. The effect of observance of this list was that some small retailers, affiliated with the chain organizations, could buy cheaper than Inland Distributors Ltd.

The minutes of the November 2 meeting also show that a particular complaint was discussed:

"Purex - Chilliwack Area - Those present were advised that a complaint had been registered to the effect Kelly, Douglas & Co. Ltd. were selling Spencer's Department Store at Chilliwack on the basis of \$8.06 plus freight and to Red & White in the same

area at \$8.40 per M. Mr. J. W. Robinson offered an explanation which he thought might cover the latter but irrespective, after a brief discussion, undertook to investigate both. The Secretary said he would consult the complainant and obtain his consent to a full disclosure of the information in his possession. That he undertook to secure if possible."

(Exhibit 71)

J. W. Robinson of Kelly Douglas wrote to John Cowan on December 9, 1948:

"For your information we sold David Spencer, Limited, Chilliwack, Purex Toilet Tissue at \$8.40; not at \$8.06.

This, however, was only a few days ago; or to be exact the 22nd of November, so that what the discussion was about could have been purchased from somebody else.

We have also checked up on the only Red & White Store in Chilliwack, the Totem Food Store, and all of his charges have been at \$9.00.

Regarding George Smith's report of the Buy Rite Store, on which he quoted me an invoice Number we find that that invoice Number is the Food Fair and he is correct where he got the case of Purex at \$8.40. Unfortunately, this happens to be a C.O.D. account and we might not get our 60%, but you can rest assured we are going to try."

(PDC 1-464a)

The matter was reported on to the C.P.D. meeting of January 11, 1949 and the relevant minute is quoted:

"Purex, Chilliwack - Relative to the previous discussion, the Secretary read a letter from Mr. J. W. Robinson dated December 9th, 1948. In view of the explanation given, it was unanimously decided that further action was unnecessary."

(Exhibit 71)

The lodging and investigation of complaints continued in 1949. The minutes of a C.P.D. meeting held on April 5, 1949 make reference to a particular case:

"Greaseproof - National Biscuit & Confection Co., Ltd. - As a result of an investigation of a registered complaint, it transpired that firm was being supplied with half ton lots at ton prices, the deliveries appearing to have arisen from a situation created by

short supply. In one or two cases, at least, the selling Member was unable to furnish the full quantity from stock, the balance being back-ordered but priced on the basis of the total quantity. Under the ruling circumstances that was accepted as satisfactory."

(Exhibit 78)

The first knowledge which the members of P.D.C. had of this inquiry under the Combines Investigation Act was in February 1949. Kelly Douglas which had joined the P.D.C. in circumstances related in Chapter VII of this report submitted a letter of resignation under date of September 29, 1949. There were meetings of both the P.D.C. and its Coarse Paper Division on October 4 and November 1, 1949. The following quotations from the minutes of the November 1 meeting of the C.P.D. show that Kelly Douglas' submission of its resignation from the P.D.C. did not result in it taking an entirely independent position insofar as its trading in coarse papers was concerned:

"Freight - Up-Island Points - Referring to the allegation several weeks ago

that Kelly, Douglas & Co. Ltd. were selling at Vancouver prices delivered Courtenay territory, the Secretary reported he had been advised by their representative that such was not the case and that they were adhering to the regulations. Further, they undertook to investigate any instances where it was contended deviations had been made.

. . .

Complaints - Garment Covers - The Secretary indicated a complaint had been directed to his notice that Kelly, Douglas & Co. Ltd. had been making no up-charge for printing set-up in quantities less than 5 M. On bringing it to the attention of their representative, the mistake was acknowledged and immediately corrected."

(Exhibit 78)

After the investigation commenced there was some revision of the methods used with respect to the naming of resale prices and the enforcement of their observance. It seems that at least in part these changes were made at the instance of the C.P.D.

Minutes of a C.P.D. meeting held on October 4, 1949, show that Westminster, which had for some time been naming resale prices at which its distributors should sell had enlarged its area of interest in their maintenance and that Pacific Mills had also advanced into new territory in this regard:

"Kraft Wrapping - Carload Price - Notice was given of a request by Pacific Mills Ltd. for information re minimum prices for carloads of 15 tons, one order, delivery to one destination at one time. That apparently had been inspired by a sale by Kelly, Douglas & Co. Ltd. to the Nelson Laundries Ltd. of Vancouver.

In narrating the subsequent interview with the representative of the former, the Secretary pointed out the procedure followed was not in accord with Council regulations or as a matter of fact those obtaining elsewhere, with which that party agreed. Consequently the action taken before or following the query by Pacific Mills was a distinct deviation from the common understanding. In the ensuing discussions, the question of the Mills policing accounts was raised when the 'point was stressed' Westminster Paper Co. Ltd. had accepted that responsibility verbally in their dealings with the Distributors in Victoria and again to the Secretary."

(Exhibit 78)

Apparently the incident covered in this minute took place at about the time that representatives of Pacific Mills' B.C. distributors, or some of them, called on Mr. Pim. Mr. Pim gave the following evidence about this call:

"Well, some of these distributors came to my office one day in 1949 -- I have just forgotten the date, somewhere about August or September and completely reversed their past attitude over the years and asked if we would issue resales."

(Record, p. 660)

The following quotation from the minutes for a P.D.C. meeting held on November 1, 1949 shows that by then some progress had been made:

"General - Along the lines followed at the last two or three meetings, a brief analysis was made of the prevailing conditions more or less pertaining to Coarse Paper. It was indicated adjustments were contemplated by the Mills, effective almost immediately, the chief of which related to the issuance by them direct of resale prices. Hitherto those had been submitted by them through the Council. The change carried with it the advice that a more rigid policing policy would be adopted. It was felt that should re-act favorably in the interests of all concerned."

(Exhibit 77)

Minutes of a C.P.D. meeting, also held on November 1, 1949, show that a new position insofar as enforcement of resale prices was concerned was in effect or was under active consideration at the moment:

"Lockerwrap" - Since the last meeting it was asserted Kelly, Douglas & Co. Ltd. had offered to deliver Lockerwrap as required within a six month period, at the 5 M. lb. price F.O.B. one of their Interior plants which, apart from the question of split deliveries, should have been F.O.B. Vancouver. The Secretary intimated the matter had been the subject of inquiry when the offenders attempted to justify their stand on account of the local situation. In view of the contemplated measures for policing the Pacific Mills' products, it was felt that the conditions pertinent to the complaint should soon be removed.

Collison Paper Co. Ltd. and Sub-jobbers - It was pointed out that the Collison Paper Co. Ltd. were selling subjobbers in the Okanagan territory at prices other than list ones but in doing so claimed they had the assurance the subsequent resales would conform to the mill schedule. On being shown that was not in accord with the governing regulations, an undertaking was secured via the Mills that the practice had been discontinued."

(Exhibit 78)

Pacific Mills put out resale price sheets dated December 22, 1949 covering resale prices for both sales tax exempt and sales tax included bases, on wrapping papers. Prices per cwt. were shown for sales in six different quantity classifications and these, along with the approximate percentage margins of gross profit on the distributors' selling price for one important Kraft grade, were:

Approximate Margin of Gross Profit

Less than 200 lbs.	25.5 per cent
200 lbs. to 499 lbs.	24.2 per cent
500 lbs. to 1999 lbs.	21.5 per cent
2000 lbs. to 4999 lbs.	19.0 per cent
5000 lbs. and up	16.1 per cent
15 ton carlots	10 per cent

Prices for 5000 lbs. and up were to cover sales in which direct delivery was made from the mill in one lot, at one time and to one consignee. The sales tax included prices were, generally speaking, the same for similar quantities as those which had been put out by the C.P.D. on June 10, 1949 for sales f.o.b. Vancouver, New Westminster or Victoria, except that the lowest prices shown on the C.P.D. lists were for sales of 2000 lbs. and up. The already established resale price arrangements with respect to buyers of over 150 tons per year under which the distributor was allowed a margin of 5 per cent on shipments of 15 tons or more remained in effect.

Early in January 1950, Pacific Mills put out a resale price list on T.N.T. lines and waxed rolls which named resale prices for use in sales

by distributors to "Volume Buyers", these being four large retailers and H. Y. Louie, a wholesale grocer, and in sales to retail stores and named minimum prices for sales at retail.

In giving evidence on the subject of Pacific Mills' introduction of the general practice of putting out "suggested resale prices", Mr. Pim spoke of the meeting at his office with the distributors and said:

"Q. Then, when they said they wanted you to set resale prices and change your form of policy, did they say anything about whether or not they would maintain those prices?

A. No, that is probably a point I raised when they made this request. I said, well this is a surprise to me. When it came that they made the request it was quite a departure from the past, and that I saw no reason why we should not do so. I pointed out that we did not have the staff or the facilities for policing resales and also, before giving a definite answer I would seek the advice of our solicitor, which I did. I think that is in the records, if I am not mistaken, Mr. Lundell.

MR. LUNDELL: Yes, there is an opinion from your solicitor in the records. I do not know whether they want to use it now, but in any event it is there.

THE WITNESS: His advice was that it was quite all right, to use the word 'suggested resales' and he said when you come to the place where you have to think of sanctions or people not respecting them, he said let us cross that bridge when we come to it.

BY MR. GODFREY:

Q. In the light of that fact, I suppose you used this word 'suggested' from then on. Did you have any understanding, though, with the paper distributors -- I am not talking about policing this -- as to whether or not they would maintain those prices?

A. Well, I anticipated that they would. There was no particular discussion on it, as I recall.

Q. Did they give you any assurance if you set those resale prices that they would maintain them?

A. I said naturally, if we do we expect they will be maintained.

Q. Did they say that they would when you made that statement?

A. Yes, they would make that statement. Just how well they did is an open question."

(Record, pp. 660-2)

In evidence Mr. Pim said that Pacific Mills did not undertake to police the resale prices it suggested or to "apply sanctions" if there were infractions but he pointed out that with respect to one particular kind of sale a stronger stand had been taken. Mr. Pim submitted a copy of the following letter, which he had written on August 7, 1950:

"To All B. C. Distributors:

Our price schedules reflect prices (subject to revision up or down at date of shipment) which we quote direct to buyers of carload quantities of wrapping paper for direct mill delivery. These schedules also reflect a commission of 5% of such prices payable to the distributor booking the order. At the time this arrangement was proposed all distributors signified acceptance of it.

We are very directly concerned with this type of business and we are determined that there shall be uniformity in every respect in these sales in respect of which you act merely as our agents.

Recently it has come to our attention that our policy has not been followed in certain instances and we accordingly now deem it necessary to insist that you certify with each order that it was booked according to our list price with no rebate, discount, or any special terms or concessions arranged.

Unless we hear from you in writing to the contrary by close of business Friday this week August 11th, we will understand you intend to comply with this request. If any, or all of you object, we shall very reluctantly have to either (1) alter our list of agents who will participate in this business, or (2) do this business directly with the buyer. We very sincerely hope you will not make it necessary for us to take either step."

(Exhibit 144)

Mr. Pim said that certificates as called for in the letter quoted above had been insisted upon and received (Record, p. 688).

On June 6, 1950 Bartram Paper Products put out "Consumer Prices" on grocery bags. These covered prices for sales in quantities of less than 5000 bags, 5000 to 9999, 10,000 to 24,999, 25,000 to 49,999, 50,000 and up

and special consumer prices, "Applying only to Purchasers of 2000 Bales per Annum". Three companies, The T. Eaton Co. Ltd., Woodward Stores Ltd. and The Hudsons Bay Co. were named as eligible for prices in the last resale price classification. Before Bartram Paper Products named these resale prices there was a meeting between Orville Cook, sales manager of the company, and representatives of the majority of its B.C. distributors. Mr. Cook gave evidence as follows:

"Q. Now, what is your company policy with respect to resale prices, I am talking about prices that your distributors sell at?

A. Up to this year, we did not retail except on some very isolated items. At the start of this year I began to give some thought to setting up resales on grocery bags. After several months I worked out a scheme which I thought was fair to the distributors and the consumers and we set up our first resale schedule on grocery bags in June of this year. That was done by calling a meeting of our own distributors in our own office and explaining the setup to them and asking their reaction to it. I say that because, after all, they are our contact with the trade, There is no use setting up something that is not going to be acceptable.

At that time, we told them we would like them to stay with that resale schedule, and they agreed that they would do so and asked us if they did not do so what would be our reaction. We said we would take steps to see that the resale schedule was maintained. Later, upon advice from our legal counsel, we decided that we would not try to enforce those resales, although we still issue them.

Q. Who would be present at that meeting?

A. Do you want the names?

Q. Yes, and the companies they represent.

A. I have Bill Sykes, from Vancouver Pacific Paper; Lorne Kirkwood, from Columbia Paper; Charlie Barrett, from J. C. Wilson; Norm Smith, from the Collison Paper Company; Robert Nowell, from Smith, Davidson and Wright; George Smith from Norfolk Paper Company; George Stewart, from W. H. Malkin Company; Pat Robinson, from Kelly-Douglas. My recollection is that is all that were at that meeting.

Q. Do they represent all your distributors in British Columbia?

A. The only ones with offices here . . ."

(Record, pp. 1129, 30)

Pacific Mills put out similar resale price sheets covering the various quantity categories on June 9, 1950.

Reference has already been made to the arguments to the effect that what the C.P.D. was doing was simply disseminating prices named by the B.C. manufacturers. There was also a considerable amount of oral evidence to the effect that the prices sent out from the C.P.D. were "suggested" prices and there was no obligation to adhere to them. In line with these views, the P.D.C. was envisaged as an organization whose functions were chiefly informative and to which maintenance of prices was not a concern. It is relevant in considering this view to revert to an incident which is in marked contrast in respect of the importance it attaches to the price function. Columbia Paper had complained that Vancouver Pacific was allowing 2 per cent below regular prices on sales to Boeing Aircraft of Canada Limited. Vancouver Pacific took the stand in the C.P.D. "that the concession did not represent a cash discount as alleged, but rather an allowance to the purchaser for picking up the merchandise at the seller's warehouse". The matter was discussed by the Executive Committee of the C.P.D. and a special meeting of the C.P.D. was held on January 12, 1944 to deal with it further. The minutes state:

"In the general discussion which ensued, it was felt the matter opened a large field as there was danger of the incidence being widespread. In other words, while the importance of the offence itself could not be minimized, a definite principle was involved, cutting deep into the Council's functions and accordingly required very careful analysis and consideration. It was suggested that a special committee should be struck to consider all the aspects of the situation and present a report to the Division in due course, but no action was taken in that connection."

(Exhibit 69)

There was another C.P.D. meeting on January 14, 1944. At this meeting H. Sykes, speaking for Vancouver Pacific is shown by the minutes to have indicated his firm's refusal to withdraw the 2 per cent concession to Boeing:

" . . . In subsequent remarks he stated that his confreres admitted it was an oversight on their part and that they should have reported it through the Council at the time the change was made and the concessions granted, but nevertheless while regretting the omission, they could not consent to withdraw the present arrangement with Boeings. Mr. Sykes emphasized it was not a cash discount in the general sense of that term but strictly a delivery allowance. That contention was not accepted by the other Members, who adamantly asserted it was an obvious price cut."

(Exhibit 69)

The minutes for this meeting also include the following:

"At one stage the query was raised whether it was the desire of the Vancouver Pacific Paper Co. Ltd. that they remain in the Council and further whether or not they wished the Council to continue and function as such. Of that there seemed no doubt, as the answer was in the affirmative. In view of the wide nature of the ramifications and the far-reaching effect, Mr. Kay suggested that the situation should be reported to a full meeting of the Council. He pointed out as a result of the impasse reached in the affairs of the Coarse Paper Division, the existence of the parent group was placed in jeopardy. That naturally created a status of which the Council should be advised and fully informed. . . ."

(Exhibit 69)

It was finally decided at this meeting to give Vancouver Pacific another opportunity to review the matter and that, if this company decided to return "to the original arrangement", a meeting of the C.P.D. should be held on January 17th "with the object of considering and clarifying the features which had been indicated during the discussions", and that no immediate action should be taken to call the meeting of the whole P.D.C. As it turned out a meeting of the C.P.D. was held on January 17. The following is quoted from the minutes for that meeting:

" . . . the Secretary stated he had been advised by the Vancouver Pacific Paper Co. Ltd. they had cancelled the arrangement in respect of the 2% allowance and had duly notified Boeing Aircraft of Canada Ltd. to that effect. It was also intimated that the change affected without exception all items on the Council's official list. Those present expressed satisfaction and also appreciation of the action taken to meet the Council's wishes."

(Exhibit 69)

IX. Summary and Conclusions

This was an inquiry into alleged restrictive practices in connection with the supply, distribution and sale of coarse papers and related products in British Columbia. Coarse papers comprise principally wrapping papers, waxed papers, paper bags, toilet papers, paper napkins and paper towels. The evidence obtained relates mainly to the period from 1935 to 1950.

Most of the coarse papers used in British Columbia are manufactured by three local companies: Westminster Paper Company Limited (Westminster), Pacific Mills, Limited (Pacific Mills) and Bartram Paper Products Company Limited (Bartram).

In 1935 the wholesale distributors of the products of these manufacturers in British Columbia were five in number:

Columbia Paper Company Limited (Columbia)
Norfolk Paper Company, Limited (Norfolk)
Smith, Davidson & Wright, Limited (Smith, Davidson & Wright)
Vancouver Pacific Paper Company Limited (Vancouver Pacific)
J. C. Wilson Limited (J. C. Wilson)

The first four made up the original membership of the "Coarse Paper Division" of the "Paper Distributors Council of B.C." which was organized in that year. The "Rules and Regulations" of the Council provided that each member agreed "to not directly or indirectly make any proposal or bargain nor do any act that would influence any sale or sales contrary to the accepted regulations, trade customs and schedules"; and that "Members must definitely agree to abide by established prices and terms of sale and, in the event of any member having a reasonable doubt of any other member not conforming to same, he will place the facts before the Secretary in writing". The Rules and Regulations contained supplementary provisions whereby the executive secretary would "On instructions . . . issue all price lists and terms of sale. All irregularities coming to notice of members will be reported to the Secretary who will investigate same and, if necessary, conduct a systematic audit of the sales record of the member complained of." The arrangement was to cover, among other things, "sales made to purchasers and for delivery within the Province of British Columbia of all lines of paper and paper products, commonly handled by . . . Coarse Paper Merchants . . ." (Exhibit 72).

It was to the advantage of the members of the Coarse Paper Division, and one of the objects of their joint activities, to keep the number of firms to which the B.C. manufacturers would extend direct buying privileges as small as possible. The B.C. manufacturers went a considerable way toward meeting the wishes of the members in this respect although events over which neither had control sometimes interfered with this policy.

J. C. Wilson, which for some years previous had co-operated in the activities of the Coarse Paper Division, formally joined the Paper Distributors Council and the Coarse Paper Division thereof in 1940. Kelly, Douglas & Company Limited (Kelly Douglas) joined in 1946. London Paper Company

Limited (London Paper) joined in June 1947, accepting in the usual manner the Rules and Regulations. These, together with the four companies previously mentioned, were the only actual members of the Coarse Paper Division. London Paper was not an important factor in the trade and went out of business in 1948.

The Rules and Regulations were reviewed or referred to, in meetings of the Paper Distributors Council, annually and the latest amendment of record occurred in February 1949 being of a routine nature.

From 1935 until the time this inquiry commenced in 1949 and for some time thereafter the Coarse Paper Division distributed to its members and to certain non-members the prices they were to charge for coarse paper products. Some such prices were suggested by the manufacturers; in the case of certain prices - chiefly to quantity buyers - they were suggested and to a degree insisted upon by the manufacturers; and for the remainder, which was substantial, they were determined in the first instance, until some time in 1949 at least, by the Coarse Paper Division.

The B.C. manufacturers from time to time attended meetings of the Coarse Paper Division for such purposes as arranging or discussing what new resale prices or conditions of sale should go into effect, and whether or not their lines should be opened to additional distributors. The B.C. manufacturers had several interests in the smooth working of the Coarse Paper Division. While margins were satisfactory and their lines were restricted to the coarse paper distributors, such distributors tended to give preference to the B.C. manufacturers' lines. Furthermore, as one mill witness in effect explained: if wholesale margins were maintained it prevented or alleviated pressure being put on the manufacturers for better prices.

In 1940 the five coarse paper distributors lost their group position as the only distributors in British Columbia for Westminster and Pacific Mills. Perhaps the main reason was that by then two large wholesale grocers had obtained very strong positions as suppliers to chains of retailers and a third wholesale grocer, as a part of the Safeway organization, was supplying that chain. As a consequence, an increasing volume of coarse paper products was now passing through the hands of the wholesale grocers to the retail trade. Enhanced buying power therefore strengthened the effectiveness of the wholesale grocers' demand for direct buying privileges and enhanced the potential threat that they might seek large supplies outside British Columbia if they continued to be denied direct buying privileges by the B.C. manufacturers.

Another important factor leading to change was the action of an eastern manufacturer who had previously sold coarse paper products to the trade at prices comparable to those of the coarse paper distributors but who now offered such products to the Safeway chain at the level of distributors' buying prices. This offer if not met or forestalled would have resulted in substantial loss of business to the B.C. manufacturers in their home territory.

The coarse paper distributors resisted determinedly but futilely. They met and resolved:

"THAT the Paper Distributors are of the opinion the Paper Distributing Business belongs to them entirely and with the viewpoint of preserving their interests, they will formulate and initiate a selling policy which will have as its aim the direction and confinement of the Paper Distributing Business to the Distributors represented at the meeting."

(Exhibit 67)

This resolution was brought to the attention of Westminster and Pacific Mills but the tide had apparently set against coarse paper wholesaling as an exclusively separate and specialized trade in British Columbia. When it appeared that recognition of the wholesale grocers was inevitable, the distributors made an intimation that "seemed to create concern on the part of (representatives of Westminster and Pacific Mills) that the Distributors would no longer be exclusively such for the Local Mills, at least on the same basis as obtained in the past . . ." (Exhibit 67).

The wholesale grocers who in 1940 were admitted to whole or partial direct buying privileges by Westminster and Pacific Mills were: Kelly Douglas, The W. H. Malkin Co. Limited (W. H. Malkin), Macdonalds Consolidated Limited (Macdonalds Consolidated) and The Vancouver Supply Company Limited (Vancouver Supply). Prior to such admission they had co-operated to some degree in maintaining the resale prices put out by the Coarse Paper Division whose members supplied them with British Columbia products. Thereafter they enlarged their co-operation. The minutes of a meeting held on July 8, 1940 and attended by members of the Coarse Paper Division and each of the wholesale grocers relate that "the necessity of rigid recognition of the price lists by all parties was stressed and on a canvass of the meeting was undertaken unless and until after the matter had been officially regularized by invoking the machinery available through the Secretary's office" (Exhibit 67). By the end of 1942 Macdonalds Consolidated had sold its general wholesale business in Vancouver although it continued to be the procurement agency for Safeway and retained general wholesaling branches in Victoria, Fernie and Dawson Creek. In 1946, as already mentioned, Kelly Douglas joined the Coarse Paper Division formally.

During the wartime and control periods the conditions prevailing in the industry and trade were of course abnormal by reason of controls and other factors. The Coarse Paper Division maintained, within the limits set by such controls, its pricing and other arrangements.

By 1948 the trade proportions had turned heavily in favour of the wholesale grocers as against the original coarse paper distributors. The latter were still able however in a steadily expanding market to hold a substantial amount of business.

The documentary evidence, up until the time in 1949 when this inquiry commenced, indicates, generally speaking, a desire on the part of the Coarse Paper Division that the fixing of resale prices remain as much as possible within the control of the Division. At this time Westminster was suggesting resale prices as it had done from time to time during the

period covered by this report, although it was ordinarily satisfied to leave enforcement to the distributors. Pacific Mills' activities in this direction had been restricted largely to naming resales in the cases of certain quantity buyers in respect of some of whom it regarded the distributors as being in the nature of mill agents. About August or September of 1949 however, after the inquiry began, some of the coarse paper distributors visited the sales manager of Pacific Mills and (to his surprise) reversed their previous attitude and requested that Pacific Mills undertake the setting of resale prices, a request that was acceded to, to the extent at least of suggesting such resales. It would appear that the object of such request was to try to achieve, through such resale price maintenance, the same results which were sought to be obtained by the Coarse Paper Division arrangements under investigation.

The investigation procedure provided by the Rules and Regulations for dealing with complaints against price cutting was used in somewhat informal manner. From 1937 until at least 1941 the secretary of the Coarse Paper Division kept a complaint register in which he entered particulars of complaints and their disposal. Thereafter the system continued although no continuation of the complaint register was found. The minutes of a meeting on November 2, 1943, referring to a previous meeting of certain members of the Coarse Paper Division, of the secretary and of representatives of Kelly Douglas, W. H. Malkin and Vancouver Supply on October 27, indicate that the latter also participated in the investigation procedure:

"Complaints - The Wholesale Grocers were informed these were by no means one-sided as there were a number falling within the category of complaints by Grocer against Grocer, by Grocer against Paper Distributor and vice versa and also Paper Distributor against Paper Distributor. Mr. Nunn detailed the procedure generally followed by the Secretary in those affairs and pointed out that so far as the Paper Distributors were concerned, their records were always available to him for inspection at any time and suggested that a like arrangement obtain with the Grocers. It was ultimately agreed that a similar concession would be allowed with regard to the records of the latter, in the event of the Secretary wishing to investigate alleged violations or infractions . . ."

(Exhibit 69)

An officer of one of these three wholesale grocery firms, which never gave formal allegiance to the Coarse Paper Division, while denying any price agreements, stated in evidence:

"Q. What position do you take with regard to this question of your being investigated?

A. Our records are open to the Committee to investigate, and we took that position. We have nothing to hide."

(Record, pp. 1402, 3)

Throughout the period covered by the investigation tenders were made from time to time by members of the Coarse Paper Division and at least one other wholesale grocer to a number of public institutions including schools and hospitals. It was the practice for the secretary to send out the common prices which were to be quoted. A late example is the following letter from the secretary to the Coarse Paper Division members dated March 11, 1949:

"Re: Vancouver School Board Tender

With regard to the tender now being requested by the School Board, please note the following:

Interfolded Towels	\$4.00 per case
7 oz. Manila Crepe Toilet Paper, side notched ovals	6.85 " "

The above prices are net fob. Vancouver.
8% Sales Tax Included.

Any quotations made by you should include the following clause:

'This quotation is subject to any Mill advance in prices prior to the time shipped'.

Kindly be governed accordingly."

(Exhibit 96)

The B.C. manufacturers were, of course, not the only sources of supply of coarse papers for the British Columbia market. Foreign supplies were a source of potential competition and asserted some controlling influence upon British Columbia prices. This influence was tempered by considerations of transportation costs and customs tariffs and in fact the amount of foreign coarse papers sold in British Columbia and particularly in the Vancouver area was comparatively small. Supplies from other provinces were a more important factor. Several eastern manufacturers sold regularly in British Columbia through outlets established there. No formal or continuing arrangements existed with these suppliers but their sales policies were such that in fact the system above described was able to exist.

For example, a leading eastern manufacturer wrote to an officer of Westminster on November 28, 1939:

"I understand from Mr. Powell (the manufacturer's agent in Winnipeg) that you are planning increased prices in the West at the present time, and we have already written, signifying our intention to agree to any increases which will show us all a more equitable return than has obtained in the past few years."

(WES 107-3)

Another example is afforded by a letter written by an eastern waxed paper manufacturer to its Vancouver agent on March 30, 1948 in which the following appeared:

"Would you please send me a price list showing the prices at which your Paper Council are selling various Waxed Sulphite Lines both bleached, unbleached and some opaque as well as the prices on Waxed Kraft and any other papers which you think would be of interest to us.

As stated previously now that we have a better raw material supply we would like to make more lines available in your territory and would naturally want these to conform to the prices which are in effect at the present in British Columbia.

. . ."

(Exhibit 51)

In the course of the investigation it was generally denied that any price fixing agreements existed and where the documents referred to agreements or implied agreements it was frequently stated that this was not their true meaning. The principal submission on behalf of the members of the Coarse Paper Division was to the effect that the function the Division was performing was really the dissemination of resale prices set by the manufacturers. This, however, cannot explain the Coarse Paper Division activities. It is apparent for one thing that in large part the initiative in disseminating and observing uniform prices came from the distributors rather than the manufacturers. Again, the price information disseminated covered many sales in respect of which the manufacturers did not suggest resale prices. The uniform tenders cannot be explained upon the basis of manufacturers fixing resale prices. Then, the coarse paper distributors did not always accept and put into effect the resale prices suggested by the manufacturers. The constitution of the Paper Distributors Council which was brought under review periodically up to and including 1950 is patently a scheme for agreeing upon and enforcing common prices. Finally, and perhaps to repeat some of the foregoing, the scheme involved in the organization of the Paper Distributors Council went far beyond a situation wherein several manufacturers by way of individual and independent action set or suggested resale prices and communicated them to their customers. The scheme was based upon agreement among the members of the Coarse Paper Division to lessen competition at the wholesale level by maintaining common prices, the levels of which they substantially influenced and in many cases, within the limits of mill tolerance, determined.

Nevertheless, the possibility of direct relationship between the practice of suppliers setting resale prices, and an agreement among merchants to observe common prices, is apparent from this case and deserves some comment. When, in 1949, it became known to the members of the Coarse Paper Division that their arrangements were under

investigation, they proceeded to interview that one of the two multi-line manufacturers who had been the less active in naming or suggesting resale prices for his products and to request him to adopt a policy of resale price maintenance. (At that time - 1949 - there was no legislation explicitly forbidding the practice as a matter of independent action by a supplier.) It is a reasonable inference that the hope of the Coarse Paper Division members was to achieve, through the adoption of such a practice, the same end result that had been achieved by agreement and which they then saw imperilled by the investigation.

Another principal submission was to the effect that the prices sent out by the Coarse Paper Division were "suggested" prices which the recipients considered each other under no obligation or agreement to follow. The activities of the Coarse Paper Division as disclosed by the documents are not consonant with this view.

On behalf of the distributors who were not members of the Coarse Paper Division, the fact of non-membership and the absence of any formal undertakings were stressed in their favour. It may be accepted that the wholesale grocers were not the original or, except in one case, the principal parties and it should be acknowledged that they played an important part in the disruption of the original situation whereby the primary distribution of the products of the B.C. manufacturers was restricted to the members of the Coarse Paper Division and J. C. Wilson. It may also be acknowledged that their efforts were, as a matter of policy, directed toward lower prices to retailers, and there is some evidence to the effect that when they entered into arrangements with the distributors in 1940 whereby their margins on coarse paper tended to be higher than they would have been under independent policy, it was with the idea that, once established in the coarse paper field, such margins would gradually fall to a more normal level. Furthermore, Vancouver Supply had a considerable reputation as a "price-cutter". Nevertheless it appears that W. H. Malkin and Vancouver Supply did extend considerable co-operation to the members of the Coarse Paper Division.

It was also submitted that no combine within the meaning of the Combines Investigation Act could exist in view of the limited proportion of the trade for which the members of the Coarse Paper Division accounted. The evidence indicates however that by reason of the influences exerted upon distributors outside the Division and upon sources of supply outside the Province, a much larger proportion of the trade was affected than went through the hands of the members. Moreover, the fact that the arrangements continued in effect for so long a period is itself cogent evidence that they were effective.

The Combines Investigation Act in its application to such a situation as this, requires not only that competition shall have been prevented or lessened, but that the arrangements shall have operated or be likely to operate to the detriment or against the interest of the public, whether consumers, producers or others. The courts have rejected the submission that an enhancement of prices must be specifically proved, and have

indicated that detriment may lie in the lessening of competition itself if that lessening be of sufficient proportions. The public has an interest in the short term and the long term effects of competition, which interest is not limited to the mere consideration of whether at any given moment prices can be demonstrated to have been unreasonably enhanced. It is apparent however that the object of the arrangements described was to keep prices above the levels to which they would have fallen in the absence of such arrangements.

The question of whether competition has been lessened to a degree that is detrimental to the public has been held to be one of fact in the particular circumstances. In the present case, having regard to the proportion of the trade that was affected and to all the other circumstances, it would appear that such an extent was reached.

Reference was made to the Commodities Retail Sales Act of British Columbia which provides in effect that no retailer shall sell any commodity which bears the brand of the supplier at a price less than the price set by the supplier as the retail set price. It was argued that in some instances the distributors' resale prices direct to consumers had been fixed, as contemplated in this Act, by the manufacturer, and that in other cases, where the manufacturer had set the retail price, an agreement at wholesale level which only related to the proportioning of over-all margins between wholesaler and retailer, could not adversely affect the public. In respect of some products, no resale prices were set by the manufacturer, even if the widest possible interpretation were given to what constitutes "setting" of prices within the meaning of the Act. Where a retail price only was fixed it does not follow that the lessening of competition at the wholesale level would not affect the public adversely since the manufacturer in setting retail prices would obviously be influenced by the prices at which the product was in fact being sold to the retailer. It is not germane to speculate as to the extent to which prices might have been made rigid by the various manufacturers acting independently and within their rights. There was present in this case an arrangement that prices would be uniform and competition eliminated. It is clear from the evidence that competition was substantially lessened as a result thereof and that the arrangement extended to cases in which prices were not named by the manufacturers.

Reference was also made to the Commodities Minimum Loss Act which provides in effect that commodities may not be sold at a price less than 5 per cent above cost. This Act does not appear to bear upon the situation.

Having carefully considered the evidence and the representations made on behalf of the parties, I am of the opinion that a combine, within the meaning of the Combines Investigation Act, existed when the inquiry commenced in 1949, in connection with the distribution and sale of coarse papers in and around Vancouver. The following, being then members of the Coarse Paper Division of the Paper Distributors Council, were the principal parties thereto:

Columbia Paper Company Limited
Kelly, Douglas & Company, Limited
Norfolk Paper Company, Limited
Smith, Davidson & Wright, Limited
Vancouver Pacific Paper Company Limited
J. C. Wilson Limited

Other wholesale firms which from time to time knowingly assisted in the operation of the combine were The W. H. Malkin Co. Limited and, to a lesser extent, The Vancouver Supply Company Limited.

Three British Columbia manufacturers also from time to time knowingly assisted in the operation of the combine. These were Pacific Mills, Limited, Westminster Paper Company Limited and, to a lesser extent, Bartram Paper Products Company Limited.

T. D. MacDonald

Commissioner
Combines Investigation Act

Ottawa
January 22, 1953

APPENDIX

Rules and Regulations of the P.D.C.,
February. 1949

ORGANIZATION

For their mutual benefit and the general good of the Industry, Paper Distributors, Stationery Distributors and Envelope Manufacturers located in the Province of British Columbia agree to form and constitute an organization known as "PAPER DISTRIBUTORS COUNCIL OF B. C."

RULES AND
REGULATIONS

Every section will appoint a committee for the purposes of making its own arrangements within the Council and will be governed by definite rules and regulations as set out hereafter.

LINES
COVERED

The foregoing arrangement shall cover sales made to purchasers and for delivery within the Province of British Columbia of all lines of paper and paper products, commonly handled by Fine Paper and Coarse Paper Merchants, and Envelope Manufacturers.

ADHERENCE TO
REGULATIONS

Notwithstanding any arrangement to the contrary or any deviations from this principle that may have taken place, each member agrees to not directly or indirectly make any proposal or bargain nor do any act that would influence any sale or sales contrary to the accepted regulations, trade customs and schedules.

Members must definitely agree to abide by established prices and terms of sale and, in the event of any member having a reasonable doubt of any other member not conforming to same, he will place the facts before the Secretary in writing.

The Secretary will communicate with the alleged offending member and make the necessary investigation to establish the facts. The result of the investigation will be given to the member who made the complaint and, in the event of the member who made the enquiry not being satisfied with the explanation, then the whole matter will come before a meeting of the members of the section affected, of which due notice shall have been given all members.

JOB LOTS OR
CLEARANCE
LINES

Each member shall file with the Secretary details of all job or odd lots before such are offered on the market, copies of which shall be issued to the membership, and disposal of same shall only be made by consent of the section interested.

SPECIAL
ARRANGEMENTS

If for any reason the members find it necessary to make any deviation from the established prices and terms of sale, this must be arranged and agreed on by a majority of members of the section interested and the decision placed on record by the Secretary and sent to all members in the form of a report so that both the members and the Secretary will have a definite understanding of the arrangement.

NEW LINES

No new lines to be put on market until approved by the section interested.

FINE PAPER
SECTION

The regulations of the Central Section of the Canadian Paper Trade Association respecting sales and the price schedule thereto are hereby incorporated as part and parcel of the arrangements herein set forth.

EXECUTIVE
SECRETARY

An Executive Secretary be appointed, whose duties will be under direction of an Advisory Committee, composed of the Chairman and the Vice-Chairman, to manage the Council and generally carry out instructions as hereinafter set forth.

DUTIES OF
EXECUTIVE
SECRETARY

To take charge of all Council meetings and arrange for minutes of same to be kept. On instructions, to issue all price lists and terms of sale. All irregularities coming to notice of members will be reported to the Secretary who will investigate same and, if necessary, conduct a systematic audit of the sales records of the member complained of. He shall have authority to interview any member at any time respecting irregular practices in which such member may be said to be involved, as provided for in "Adherence to Regulations".

CONSENT OF
MEMBERS

Each member agrees he will not unduly withhold consent to requests made by the Secretary to proceed with examination of accounts. To facilitate the audit each member shall advise the Secretary, in writing, the names of two representatives of his firm who are empowered to give such consent.

AUDIT

The Secretary shall be empowered to make a systematic examination of the sales records of each member in the lines covered by the arrangement, for which purpose he shall be granted access to sales invoices, orders (house record and customer's), and delivery slips. In addition, upon submitting the names of accounts to be examined to a responsible representative of the member-firm for consent, he shall be granted access to whatever other books of record and documentary evidence he may consider necessary to a proper investigation. He shall be authorized to make enquiry with respect to apparent errors or irregularities in completing an investigation.

INFORMATION
TREATED
CONFIDENTIALLY

In conducting the audit, the Secretary shall respect the confidence of the members, and no information which may come to his notice with respect to the business carried on by any of the members will be divulged to any other person whatsoever, except as hereinbefore mentioned. The Secretary shall not divulge the name of the complainant.

RESPONSIBILITY
AND
REPRESENTATION

That each firm will give to the Secretary in writing the name of their executive or staff who will attend the meetings in each section; that one representative of each concern attend all meetings and he to have authority to discuss fully and in general to act for the members of the firm; that in respect of this arrangement each member accept full responsibility for the acts of his employees, agents and representatives.

In the event of one or more employee of a member wishing to attend a meeting it will be understood they can do so but will not enter into discussions except with the expressed invitation of the Chairman.

ASSESSMENT

A monthly assessment, payable in advance, shall be made on the members to cover expenses of conducting the Council, including Secretary's remuneration, etc. This assessment to be set by the Advisory Committee.

EMPLOYMENT

As a matter of courtesy and mutual interest it is understood that a member will not approach employees of another member with a view to hiring them while still employed or induce them to discontinue employment with the understanding or suggestion of re-employment.

REVIEW

Any of the foregoing arrangements are subject to review, on reasonable notice from any member but, in any case, a general review shall be made before each annual meeting.

QUALIFICATIONS REQUIRED FOR ACCEPTANCE AS A MEMBER OF THE
COARSE PAPER DIVISION

A corporation, firm or individual whose business is selling for resale, owning outright and carrying a general stock to the cost value of not less than \$50,000.00 of the various grades of stock lines, wrapping papers, paper bags, toilet tissues, wax papers, etc., and generally known as coarse paper.

Government
Publications

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1953

HB-13-1-65.

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